INTERNATIONALISATION AND PERFORMANCE OF SMALL AND MEDIUM ENTERPRISES IN THE WOOD AND FURNITURE INDUSTRY IN DAMIETTA GOVERNORATE, EGYPT

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ABSTRACT

Egyptian SMEs in the wood and furniture industry in Damietta play a significant role in its economic development and growth. This industry is classified as a traditional industry, especially in developing and emerging countries where a labour-intensive and resource-intensive industry is required. The main purpose of this study is to understand the impact of the degree of internationalisation on the performance of SMEs. The main theory of this study is considered to be one of the classic and traditional theories of internationalisation, namely the Uppsala model of internationalisation. Three complementary theories have been integrated into this work under the umbrella of the Uppsala model of internationalisation, i.e. International entrepreneurship, Resource-Based View and Network Theory.

The current study covers critical gaps in the literature through making use of integrated theories to answer the research questions. In addition, this study investigates one of the traditional industries that have a very brief coverage in the current literature. Furthermore, SMEs still require more research, especially in developing and emerging countries. Indeed, SMEs in Egypt, especially in Damietta, play a very important role in the industry of wood and furniture. These SMEs represent more than 80% of the firms working in this industry in Egypt. Surprisingly, the significance of these SMEs has been ignored for long. There is even not a relevant definition for them.

The current study relies on a research approach consisting of two main phases. Phase one is the qualitative method of using a focus group, while the second phase is a quantitative research method of using questionnaire. Path Analysis is the main data analysis method supported by Structural Equation Modelling with the Amos software. The analysis results provide empirical evidence on how SMEs' international entrepreneurial experience, human capital, social, governmental, and their international network, are positively and directly facilitating their degree of internationalisation. In addition, the analysis reveals that international entrepreneurial experience, human capital and international networks indirectly enhance firm performance. Furthermore, the analysis confirms a direct, significant relationship between the degree of internationalisation and firm performance.

This study is the first research to focus on the relationship between internationalisation and firm performance in one of the traditional industries, such as wood and furniture, in addition to a unique culture of an emerging economy, such as that of Damietta in Egypt. Moreover, this study suggests that the traditional stage model of internationalisation is still alive and applicable in such industrial and economic settings.

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LIST OF ABBREVIATION

Abbreviations	Meaning
AGFI	Adjusted goodness of fit index
AMOS	Analysis of Moment Structures
CAPMAS	Central Agency for Public Mobilisation and Statistics
CFI	Comparative fit index
CMIN/DF	Normed chi-square
CSIL	Centro Studi Industria Leggera Scrl (Italy)
DOI	Degree of Internationalisation
DV	dependent variables
EBI	The Egyptian Banking Institute
EFEC	The Egyptian Furniture Export Council
EIDS	Egyptian Industrial Development Strategy.
EIE	Entrepreneurial International Experience
EO	Entrepreneurial Orientation
FSTS	Foreign Sales To Total Sales
GFI	Goodness of fit index
GIDA	General Industrial Development Authority
GN	Governmental Network
HC	Human Capital
IB	International Business
IEO	International Entrepreneurial Orientation
IFI	Incremental fit index
IMC	Industrial Modernization Centre
IMC	Industrial Modernization Centre (Egypt)
IMC	Industrial Modernization Centre
IN	International Network
INV	International New Ventures
ITC	International Trade Centre
ITTO	International Tropical Timber Organization
IV	Independent Variables
MENA	Middle East and North Africa
MNEs	Multinational Enterprise
MSMEs	Micro, Small and Medium-Sized Enterprises
NFI	Normed-fit index
NT	Network Theory
PGFI	Parsimony goodness-of-fit index
PNFI	Parsimonious normed fit index
RBV	Resource Based View

RFI	Relative fit index
RMR	Root mean square residual
RMSEA	Root mean square error of approximation
ROA	Return On Assets
ROS	Return On Sales
SEM	Structural Equation Modelling
SEs	Small-Sized Enterprises
SMEs	Small and Medium-Sized Enterprises
SN	Social Network
SPSS	Statistical Package for the Social Sciences
SRMR	Standardized root mean square residual
TLI	Tucker-lewis index
UNIDO	United Nations Industrial Development Organization
VIF	Variance Inflation Factor
$\chi 2$	Chi Square
$\chi 2$/df	Normed chi-square

CHAPTER 1: INTRODUCTION

1.1 Chapter Overview

This introductory chapter presents the background of internationalisation and performance of small and medium enterprises (SMEs) in the wood and furniture industry in Damietta Governorate, Egypt. The introduction begins by specifying the main knowledge areas related to this study and the research scope. Relevant concepts will be introduced, including the internationalisation of SMEs and their performance, entrepreneurship, firm resources, network organisations, and the wood and furniture industry, in particular how it relates to Damietta Governorate, Egypt. The main research problems and research questions will be defined, which presents some equally important academic and practical problems, along with gaps in the literature that are related to the research topic, by taking into account the specific industry and region. This is followed by clarifying the main research objectives and the contribution of this thesis. Finally, the thesis structure is presented with an outline diagram.

1.2 Scope of the research

This study investigates the internationalisation of SMEs in the wood and furniture industry in Damietta Governorate, Egypt. As is clearly shown in figure (1), this study consists of four main parts, which are wood and furniture SMEs, firm internationalisation, firm performance, and

Damietta, Egypt. These parts will be discussed briefly in this chapter and in more detail in chapters two and three.

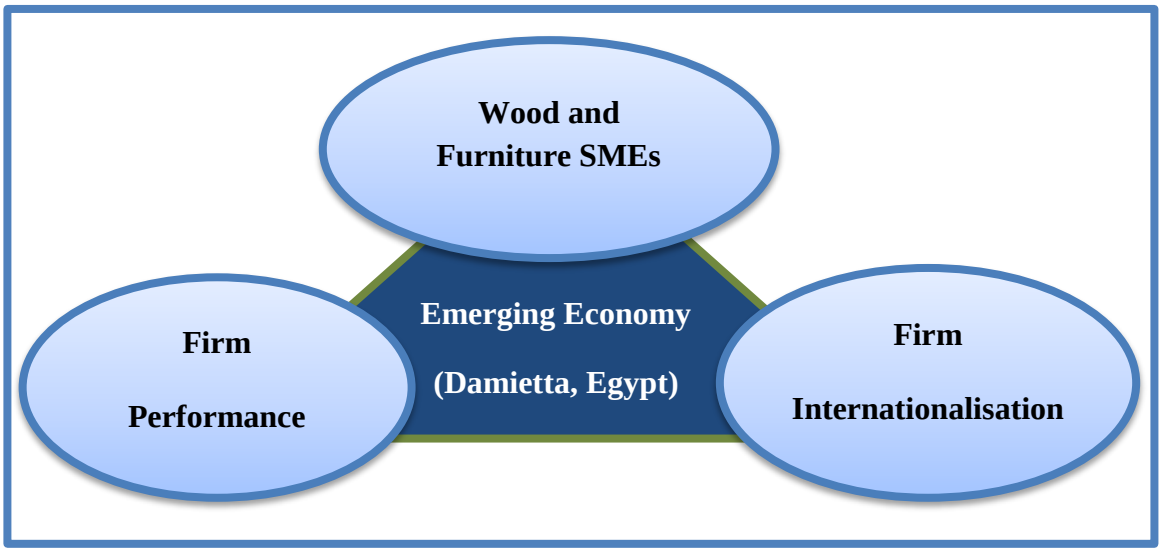


Figure 1-1:Main study parts

This study deals with the context of one specific industry, the wood and furniture industry in Egypt. Indeed, it is a traditional industry with a long history, which started during the period of British and French colonial rule (Al-Etr and Wahba, 2002, Iritani et al., 2015, Sidin, 2008, World Bank, 2016). At that time, the Europeans were interested in improving the skills of craftsmen in the wood industry in general, and in shipbuilding specifically (EFEC, 2015, Isaga et al., 2015, World Bank, 2016). With the passing of time, craftsmen became more experienced when acquiring more skills in this industry. As a result, the craftsmen became encouraged to start their own workshops. Therefore, the wood and furniture industry spread all over Egypt,

especially in Damietta governorate (Al-Etr and Wahba, 2002, Sidin, 2008, World Bank, 2016). Consequently, the wood and furniture industry in Damietta became a very solid manufacturing industry in Egypt, resulting in an opportunity to access international business (Ministry of Trade & Industry, 2013, 2017). Damietta is the only area that contributes more than one third of the wood and furniture production in Egypt, having a population of around 40,000 workers participating in small and medium size workshops (World Bank, 2016). In addition, the workforce, dealing directly or indirectly, and who are dependent on this industry, is estimated to be more than half a million people (EFEC, 2015, El-Saady, 2011, Nasr, 2010, Refaat, 2003, Seleim et al., 2007).

In fact, the wood and furniture industry generally in Egypt, and specifically in Damietta, principally remains a traditional industry (Abdallah et al., 2016, Ng and Kanagasundaram, 2017). This traditional industry could be seen from two points of view. The first being that this type of industry still depends on skilful and talented labour, therefore, human capital is considered one of the most important assets for this industry (El-Kilany, 2014, El-Meehy, 2002, IMC, 2010, Ng and Kanagasundaram, 2017). Consequently, this kind of industry is not seen as typical, rather it is viewed as an industry with a special character or as an industry with a respect for the culture of the country (El-Kilany, 2014, IMC, 2010). While, the second point of view is that this industry is still following the traditional ways to access international business by

producing their products mainly for the local market first, and only subsequently do they consider internationalisation (Isaga, 2012, Veglio and Zucchella, 2015).

Indeed, as the wood and furniture industry in Egypt is still a traditional industry, the workers are mostly working within smaller workstations (Abdallah et al., 2016, Ng and Kanagasundaram, 2017). Therefore, small and medium size firms in the wood and furniture industry in Damietta, Egypt are the main focus of this study (EFEC, 2015, El-Saady, 2011). In fact, SMEs play an important role in economic development and income growth for the area. Wood and furniture SMEs make a major contribution to regional incomes, as well as to the national economy, by creating jobs, producing essential goods and services and promoting the development of rural economies (Gray, 2006, Kusumawardhani, 2013a). Due to this important role, SMEs have recently become a central concern for academics and policymakers (Isaga et al., 2015, Oparaocha, 2015).

In addition, to judge the efficiency of the wood and furniture SMEs, an appropriate means to measure the SMEs performance was required (Brouthers and Nakos, 2004, Frishammar and Andersson, 2009). However, no universal agreement exists regarding an appropriate measure of firms' performance (Rauch et al., 2009, Wiklund and Shepherd, 2003a). In fact, firm performance could be split into two key categories, which are financial and non-financial (Jiang et al., 2018, Knight, 2000, Kusumawardhani, 2013a, Wiklund and Shepherd, 2003a). As this

study deals with the smaller types of firms, there were some additional challenges such as the difficulty of collecting accurate data, especially when seeking to avoid firm owners' overestimations (El-Gohary, 2009, El-Meehy, 2002, Ward et al., 1995, Yuan Lu et al., 2009).

Furthermore, the basic and most important aspect that underpins this study is firm internationalisation. This is not a recent phenomenon nor is it an option nowadays (Axinn and Matthyssens, 2002, Jones and Coviello, 2005). Internationalisation has become essential for the macro and micro economies of any country (Andersen, 1993, Johanson and Vahlne, 1990). Additionally, internationalisation opens up many opportunities for firms, especially the smaller sized firms who have the ability to respond more quickly to customer modifications (Knight, 2000).

Apart from the massive importance of internationalisation, there is no single definition for internationalisation; however, generally, firm internationalisation is considered as the process whereby firms increase their willingness to expand to international operations (Albaum et al., 2008, Calof and Beamish, 1995, Schubert et al., 2018). In fact, there is no accepted single model or approach to describe firm internationalisation (Johanson and Vahlne, 1990). Generally, there are two main internationalisation approaches, which are the traditional or the rapid internationalisation models (Wach, 2014). The traditional models are, for instance, the stage approach that comprises the product life cycle theory (Vernon, 1979), the Uppsala

internationalisation theory, and the Dunning or OLI model (Dunning, 1977), and the Uppsala model of internationalisation (Johanson and Vahlne, 1977). To clarify, firms in these types of internationalisation models are performing international operations and activities in incremental, or in step-by-step processes (Sullivan and Bauerschmidt, 1990). On the other hand, the second category is the rapid internationalisation approach(Knight and Liesch, 2016). By the early 1980s, scholars were very attracted to this new approach. Some models appeared to support firms' rapid internationalisation, such as in cases of new international ventures (Oviatt and McDougall, 1994) where global companies were born (Madsen and Servais, 1997).

In this study, it is found that the Uppsala model of internationalisation is very relevant (El-Meehy, 2002, Knight and Liesch, 2016). The reason behind this is that in the Egyptian economy, especially the industrial parts, an incremental process to access international business is followed (EFEC, 2015, World Bank, 2016).

The industrial sector in Egypt works mostly as a traditional economy and follows a pattern of economic industrial development (Tansel and De Smet, 2018). As in the industry of wood and furniture, the traditional economy will aim to ensure that the primary production of wood and furniture exceeds the subsistence needs of the economy. Consequently, the traditional economy leads to the second stage, where the aim is to use the surplus of primary needs from this industry's production for internationally export (Axinn and Matthyssens, 2002, Mobarak, 2001,

UNIDO, 2016). In addition, another way to consider the wood and furniture industry in Egypt as a traditional industry is that the government have developed initiatives to protect principle industries and this industry is considered as one of these on Egyptian industrial map (Ministry of Trade & Industry, 2013, 2017, World Bank, 2016). These governmental protection initiatives manifest in many ways, such as providing raw materials or giving firms managerial support. Also, Egypt is trying to protect this industry by placing additional tariffs on imported wood and furniture products (Al-Etr and Wahba, 2002, Sidin, 2008, Ministry of Trade & Industry, 2013, 2017, World Bank, 2016). These types of protection measures have now reduced due to globalisation restrictions and free trade regulations (EFEC, 2015, World Bank, 2016).

In fact, the wood and furniture industry is still considered to be one of the world's biggest industries; with huge trade worldwide, the world's production of wood and furniture is worth over US$ 500 billion (CSIL, 2009, CSIL, 2018, Qiu et al., 2017, World Bank, 2016). About 60% of the world's wood and furniture production emanates from developed countries, whilst about 30% comes from emerging countries and just 10% is from developing countries (Abraham and Adams, 2017). Surprisingly, China alone has about one fifth of the world's furniture production coming from emerging countries (CSIL, 2009, ITC and ITTO, 2005). Therefore, it is very important to study the rest of world's furniture production (Abdallah et al., 2016). Thus Egypt, with a very good reputation in wood and furniture products, is considered an appropriate example for emerging countries (Abdallah et al., 2016, CSIL, 2009, CSIL, 2018).

In addition, Egypt is considered as an emerging economy that faces the same challenges as other emerging economies, such as rapid changes in economic climates, institutional characteristic ownership patterns, business and governmental laws, and economic liberalisation (Hoskisson et al., 2000, Yamakawa et al., 2008).

As a conclusion for the scope of the research, it is important to emphasise again the main parts of this study, which is to investigate SMEs in the wood and furniture industry in Damietta Governorate, Egypt. The wood and furniture industry has been selected for this study as it represents a labour-intensive and resource-intensive industry that is very clear in Damietta (Kusumawardhani, 2013a). In addition, this industry, mainly in the region of Damietta, makes important contributions to the Egyptian nation's economy via job creation (El-Meehy, 2002). Indeed, Damietta Governorate is a very important area for the wood and furniture industry in Egypt. It is considered to have the largest share of the wood and furniture industry, having more than a 40% share with around 40,000 factories and small workshops with a workforce of about half a million people working directly or indirectly in this industry in this Governorate (El-Kilany, 2014, ITC and ITTO, 2005).

To critically and comprehensively review the main theories of this study, it will be clear that this research is dealing with one main theory and its connection with three complementary theories. In other words, the Uppsala model will be the main internationalisation theory of this

study. Conversely, the three complementary theories of this study will be International entrepreneurship, RBV, and network theory. These three theories will be discussed under the main concepts of the Uppsala model of internationalisation.

It is important to mention that as a matter of time, effort and cost, the author could not adequately study all related factors such as: the entrepreneur; the resource-based view; and network factors related to the internationalisation of SMEs. Therefore, the author relied on focus groups of academics and experts in the area of the wood and furniture industry in Egypt, in order to select the most relevant factors regarding this industry and regarding the relationship with the Egyptian environment. Figure 1.2 demonstrates all theoretical relationships as follows:

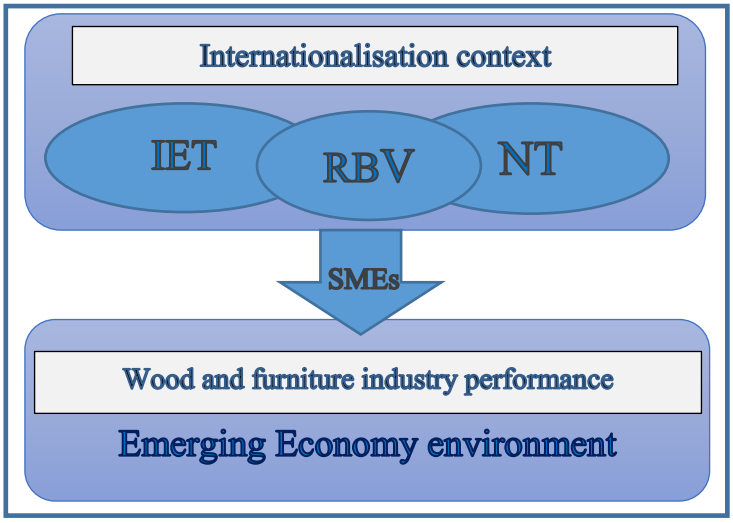


Figure 1-2: The theoretical relationships

The research mainly focused on the international entrepreneurial theory (IEI), the resource-based view (RBV), and network theory (NT) under the main heading of the stage model of internationalisation (Uppsala model) in order to understand the effects of these on SMEs performance, taking Damietta as a good example for this industry in an emerging economy.

The population for this study was Egyptian SMEs in Damietta. These SMEs are defined by two main criterions: having ten to 99 employees and paid-in capital of between 50,000 to 10,000,000 Egyptian pounds (this will be discussed in more detail in Chapter Two). These SMEs work in the wood and furniture industry in Damietta Governorate, Egypt. As the main focus of this study is the internationalisation of SMEs, these SMEs should participate in international activity in the industry of wood and furniture. Finally, the respondents of this study should be the owners of the SMEs, firm managers, or the person who is in charge of international activities, because these individuals have the capability and understanding of those issues related to the international activity of their SMEs.

1.3 Research problem (Gaps)

Reflecting on the earlier part of this chapter, it has been recognised that there are still critical gaps in the literature that need more research. Firstly research into 'traditional internationalisation' versus ‘rapid internationalisation'. The traditional theory of internationalisation depends on the understanding that firms access international business in a

gradual way by initially selling their products in the local market, and after gaining the required experience, they will subsequently access the international market (Johanson and Mattsson, 2015, Johanson and Vahlne, 1977, Matlay et al., 2006). The Uppsala internationalisation theory is considered to be a typical example of the stage theory (Johanson and Mattsson, 2015, Johanson and Vahlne, 1977, Johanson and Wiedersheim-Paul, 1999). On the other hand, the rapid internationalisation theory depends on selling a firm's products mainly to an international market rather than to the local markets, such as in the born-global theory and NJV (Gabrielsson, 2005, Matlay et al., 2006). Recent literature has shown more interest in the rapid internationalisation approach rather than in the traditional models of internationalisation (Falahat et al., 2015, Madsen and Servais, 1997, Zhou et al., 2007). Therefore, it is very important to pursue fresh research in this area and including the traditional models of internationalisation.

Secondly there are 'integrated theories'. Internationalisation may be viewed from different theoretical perspectives, such as: international entrepreneurship (McDougall and Oviatt, 2000, Zahra and George, 2002), the resource-based view (Bloodgood et al., 1996, Dhanaraj and Beamish, 2003), transaction cost theory (David and Han, 2004, Geyskens et al., 2006), organizational learning (Dodgson, 1993, Fiol and Lyles, 1985), network theory (Hakansson and Snehota, 1995, Johanson and Mattsson, 1987, 2015), and the product life cycle theory (Day, 1981). Many authors recommend that integrated theories will give more value to the

understanding of a firm's internationalisation (Esra and Göçer, 2007, Lynn and Jin, 2014, Ruigrok et al., 2007, Thomas et al., 1995, Wach, 2015, Wach and Wehrman, 2014). Consequently, the integration in this study between international entrepreneurship, RBV, and network theory, under the main theory of the Uppsala model of internationalisation, particularly focussing on SMEs in emerging countries, is highly recommended (McDougall and Oviatt, 2000, McDougall et al., 1994a, Shan et al., 2016, Zahra and George, 2002). Therefore, this integrated research approach will contribute to the literature of international business by understanding the factors affected by these theories to the degree of internationalisation and its impact on performance (Cao et al., 2016, Contractor et al., 2003).

Third is 'Smaller firms vs large firms' in the wood and furniture industry. Many studies in these contexts were mainly concerned with large firms rather than SMEs (Aloulou and Fayolle, 2005, Frishammar and Andersson, 2009). However, there are very big differences between large firms and SMEs; as outlined by Welsh and White, 'A small business is not a little big business' (1981: 18). In addition, organisations such as ITC and ITTO, who have made great advances in the area of the 'international wooden furniture markets', reported that:

> *'It is therefore rare to encounter furniture factories with more than 500 workers under one roof in almost any country. So, on average, the furniture industry has maintained itself in fairly small, labour-intensive units, or groups of small individual companies under one banner' (ITC and ITTO, 2005: 1).*

Therefore, there is a significant link between smaller sized firms and the industry of wood and furniture. The type of combination of a firm's size and this industry was neglected in previous studies, especially when compared to bigger firms having more technology and sophistication (El-Kilany, 2014, Lord, 1999, Sidin, 2008). Consequently, there is a greater need to focus on SMEs, especially within the wood and furniture industry, to enrich then SMEs literature for such industries (Abdallah et al., 2016, Devine, 2010, World Bank, 2016).

To sum up, there are still significant research gaps regarding the integration of closely related theories and approaches such as: entrepreneurship, firm resources and firm networks with internationalisation performance (Cao et al., 2016, Contractor et al., 2003). SMEs still need further research, especially in developing or emerging countries (Eunni et al., 2007, Loncan and Meucci, 2010). In addition, industries such as wood and furniture need much more research to enrich the academic knowledge not only in modern industries, such as high-tech industries, but also in traditional (and potentially more sustainable) industries as well, such as the wood and furniture industry (El-Kilany, 2014, El-Meehy, 2002).

1.4 Research objectives

The focal objective of this research is to investigate empirically the relationship between internationalisation and the performance of Egyptian SMEs in the wood and furniture industry in Damietta Governorate. Therefore, this study aims to 'empirically investigate the effect of

internationalisation on SMEs performance of the wood and furniture industry in Damietta, Egypt'. In addition, this study is interested in putting the spotlight on emerging economies by highlighting Egypt as an example. Therefore, this study aims also to 'provide a better understanding of the improvement of SMEs' internationalisation performance in emerging countries'.

This main objective will be supported by a set of important sub-objectives. As mentioned before and as detailed in Chapter Three, this study is interested in three theories, IEO, RBV, and NT, under the principles of the main theory-the Uppsala model of internationalisation. Therefore, this study aims to empirically investigate the effect of 'IEO, RBV, and NT' on the internationalisation of Egyptian SMEs in the wood and furniture industry in Damietta Governorate.

Furthermore, this research attempts to provide recommendations for SMEs entrepreneurs, owners, managers and policymakers on the internationalisation and performance of SMEs in the wood and furniture industry in Damietta, Egypt. The findings from this research will also suggest potential directions for future research in the area of entrepreneurship, firm resources, network, internationalisation and performance of SMEs, as will be discussed in more detail in Chapters Seven and Eight.

1.5 Research contribution

The essential value of this research is to contribute to the current knowledge in the fields of internationalisation and performance of SMEs. Therefore, the research contribution can be broken down into various parts relating to: theory, methodology, terminology, industrial, country and entry strategy contributions.

Theoretical contribution

The current study addresses a major gap in the literature by extending the current knowledge and adding to the relatively limited empirical studies that have been conducted, using integrated theories together related to internationalisation: international entrepreneurship, RBV and network theories (Johanson and Vahlne, 1977, 2009, McDougall and Oviatt, 2000, Zahra and George, 2002). The Uppsala internationalisation model is considered to be the main internationalisation theory for this study. Notably, this research confirms that the traditional model of Uppsala internationalisation is still usable and relevant today (Blomstermo and Sharma, 2003, Lommelen, 2004).

One of the most significant contributions of this study is to interpret the theories of international entrepreneurship, RBV and network from the perspective and belief of the Uppsala model of internationalisation. As an illustration, the Uppsala model, as one of the traditional stage

theories, looks at a firm's internationalisation as an incremental process (Forsgren, 2002, Johanson and Vahlne, 2009).

The same logic of the Uppsala model can be applied to IEO. The main parts of IEO are innovation, proactivity, and risk-taking. With critical reflection, we found that 'innovation' is creating new ideas whilst 'proactive' means to look at more opportunities. Finally, 'risk-taking' means that the entrepreneur is willing to take more risks for access to international business (Covin and Miller, 2011). This suggests that IEO follows the same logic of the Uppsala model, with comparable steps stemming from creating new ideas leading to acquiring more international abilities.

The same logic of the Uppsala model can also be applied to RBV. Here, the main logic focuses on acquiring accumulative knowledge and experience to enable firms' access to more international markets (Vahlne and Johanson, 2013). This study is concentrated on two of the most relevant resources to the industry of furniture in Egypt, which are human resources and entrepreneurial experience (Abdallah et al., 2016, EFEC, 2015). These two resources depend on 'persons' whether they are labourers, employees, owners or entrepreneurs (Javalgi and Todd, 2011). It is obvious that the more knowledge and experience acquired, the more internationalisation skills will naturally be acquired (Cerrato and Piva, 2012). In general, human capital and entrepreneurial experience in this study, are considered essential sources of

information and knowledge needed in the industry of wood and furniture in Egypt to improve a firm's international activities (Cerrato and Piva, 2012, El-Meehy, 2002, Javalgi and Todd, 2011).

A similar logic of the Uppsala model can be applied to the network Theory. Generally speaking, this study is mainly dependent on the Uppsala revised model, which is considered as a firm's network and a crucial part of the original Uppsala model of internationalisation (Johanson and Vahlne, 2009). Taking an in-depth view of the three main networks featured in this study, it shows that the wood and furniture firms in Egypt, especially in Damietta, follow the sequence of the incremental Uppsala model (El-Gohary et al., 2013, El-Kilany, 2014, El-Meehy, 2002). In other words, a firm in this industry mainly depends on social networks as a first step to collecting essential market knowledge, which is an important yet informal source of information. Once sufficient experience is acquired, firms can acquire further knowledge from formal networks; the most important networks in less developed countries are the governmental networks. In addition, a firm can become expert enough whilst having some international activities, rendering them capable of accessing massive international connections and networks (Johanson and Vahlne, 2009, Vahlne and Johanson, 2013).

In general, the three theories dealing with international entrepreneurship, RBV and networks are linked in an integrated way to the original and to the revised Uppsala model of internationalisation. The links to these theories will be discussed in Chapter Three.

Terminological Contribution,

No single definition for SMEs exists (Chittithaworn et al., 2011, Jansson and Sandberg, 2008). However, there are some criteria to describe SMEs, such as the number of employees, their total assets, the total annual turnover, or their capital. Some countries and institutes rely on one single criterion, or combined criteria, to define SMEs, or they may be more specific by describing SMEs categorised by each industry, because they believe that each industry is operationally different (CAPMAS, 2013, Kushnir, 2010b). In Egypt, there is no specific definition of an SME, just an official definition of small business; therefore this study has created a SMEs definition by taking into consideration both the industry and the determinants of the region.

Practical Contribution

To date, and to the author's knowledge, this study is considered to be one of a limited number of studies that are treating the wood and furniture industry as a traditional industry in an emerging economy (El-Meehy, 2002, ITC and ITTO, 2005, Ng and Kanagasundaram, 2017). In other words, this research contributes to the extremely limited number of empirical studies

investigating the impact of internationalisation on SMEs' performance, particularly as it relates specifically to the wood and furniture industry (El-Kilany, 2014, Isaga, 2012, Isaga et al., 2015, ITC and ITTO, 2005).

Consequently, one of the focal contributions of this research is the provision of useful insights on how contexts like internationalisation and performance work for specific types of enterprises such as SMEs, with a specific type of traditional industry, such as the wood and furniture industry in the emerging economy context of Damietta, Egypt.

1.6 Thesis structure

This dissertation is organised into eight chapters, as shown in Figure 1.3containing three layers. The inner one, or the core, is the research focus area (internationalisation and performance of SMEs: the wood and furniture industry in Damietta, Egypt). The second layer represents seven chapters of this study. The outer layer offers a brief explanation of highlights from each chapter. The arrows in the figure demonstrate that all parts of the thesis are interconnected. The remainder of the thesis is structured as follows:

Chapter 1 has discussed the outline and background of the study, the research problem and questions, research objectives, and the main research contribution.

Chapter 2 presents an overview of Egypt as an emerging economy followed by the importance of SMEs. SMEs definitions are identified as worldwide. Egyptian SME definition is investigated in particular and the specific definition, used for the purposes of this study, is presented and justified. This chapter also outlines the wood and furniture industry in Damietta, Egypt.

Chapter 3 critically reviews previous studies related to the research topic. The main research areas of international entrepreneurship, networks and internationalisation, and SMEs and performance are explained in the context of the existing theory. Finally, this chapter presents a brief linkage between the research constructs.

Chapter 4 presents the research framework. The main research constructs are designed in the research framework. The research measurements and research hypotheses are developed in this chapter.

Chapter 5 provides the rationale for the research methods chosen for this research. This chapter discusses the research philosophy, research approach, time horizon, choice of research strategy, research measures, data preparation, sample design and the research analysis conducted.

Chapter 6 reports the data and analysis. It starts by providing a general picture of the data which describe the sample, as well as the data from individual participants. The second part is the hypotheses testing, which is considered a very crucial part of statistical inference that gives the mathematical underpinning, for inferential statistics used in this research. Structural equation modelling is the main statistical tool used in this research. A range of model fit is used to ensure the quality of the research such as Chi-squared test, RMR and SRMR, incremental fit indices, and parsimony fit indices. The results of testing hypotheses are interpreted and summarised.

Chapter 7 discusses the research findings related to DOI, firm performance, the relationship between them, and entry strategy.

Chapter 8 presents the research conclusion as well as suggesting the main research contributions, limitations, and venues for future research.

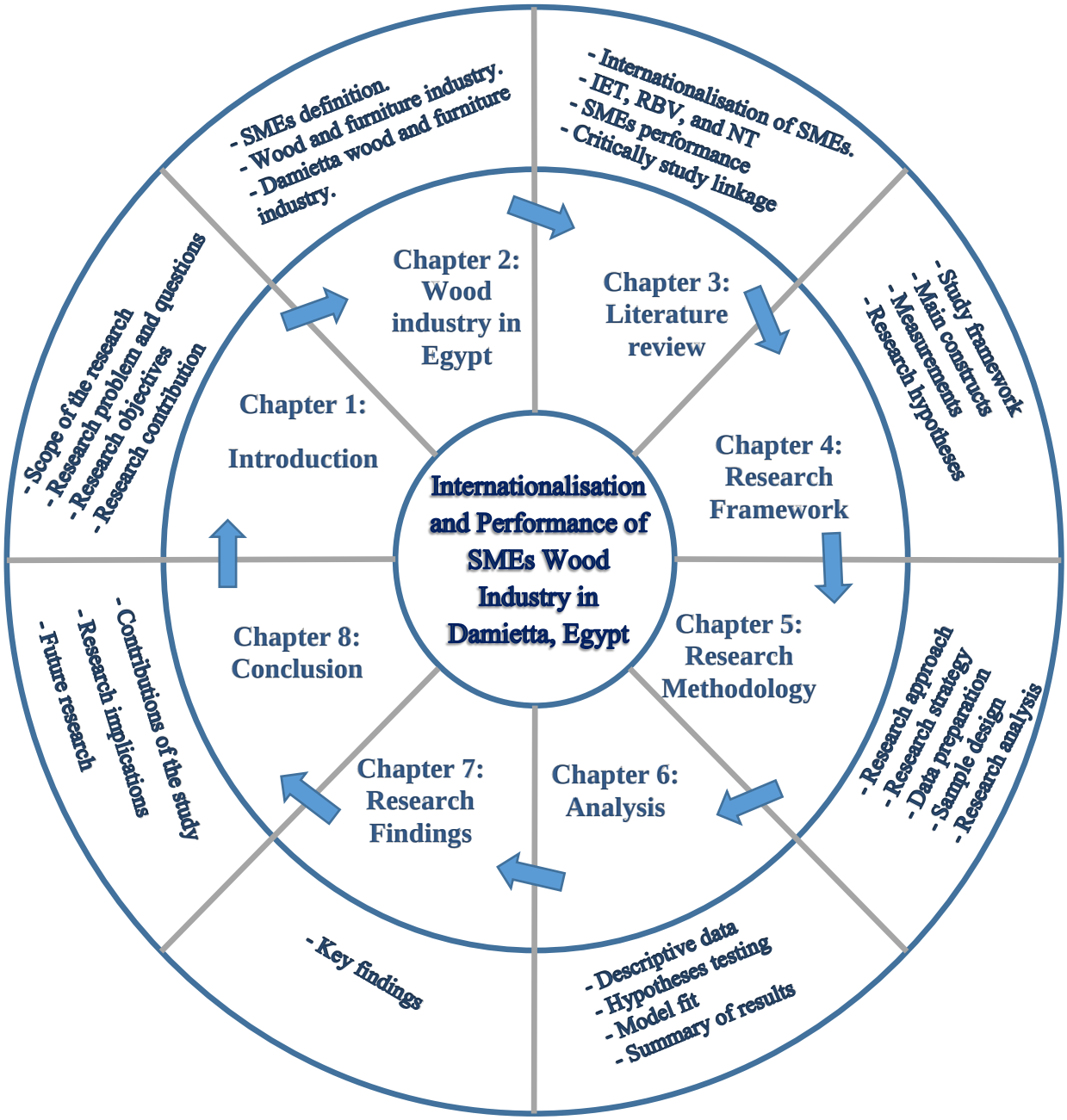


Figure 1-3: Thesis structure

1.7 chapter summary

This chapter presented an introductory overview of the study of the internationalisation and performance of small and medium enterprises (SMEs) in the wood and furniture industry in Damietta Governorate, Egypt. The most important points in this chapter include the scope of this research, the main research problems and research questions that have been posed to identify the main research gaps. This chapter ended with a thesis structure to put all the research parts into a holistic visual structure. The next chapter will discuss the wood and furniture industry in Egypt and highlight the district of Damietta governorate as the principle research interest.

CHAPTER 2: Wood and Furniture SMEs

2.1 Introduction

The previous chapter was an introductory chapter on the topic of internationalisation of SMEs of the wood and furniture industry in Damietta. It focused on the main research purpose and problems. In addition, the previous chapter briefly presented the potential research contribution. Chapter one concluded with a figure outlining the thesis structure in the form of a clear, visual thesis plan.

The aim of this chapter is to provide a better understanding of the main research areas such as emerging economies, SMEs, the wood and furniture industry, and the Damietta governorate. Therefore, this chapter is structured by commencing with a section that presents an overview of Egypt as an emerging economy and the important role of SMEs in such economies. This is followed by an overview of the importance of SMEs and the main definitions, focusing on the Egyptian definition of SMEs. The wood and furniture industry, our main interest industry, is discussed, with particular reference to the study setting of Damietta, Egypt.

2.2 Egypt as an emerging economy

Emerging economies, in terms of institutional transitions, are defined as ‘fundamental and comprehensive changes introduced to the formal and informal rules of the game that affect

organisations as players' (Peng et al., 2003: 49). Scholars such as Cavusgil, Knight and Riesenberger discuss some characteristics that differentiate between the three types of economy (Cavusgil et al., 2008). Firstly, the characteristics of developed economies are post-industrialisation, high per capita income, highly competitive industries and well developed commercial infrastructures (Collins, 1990, Yamakawa et al., 2008). The characteristics of developing economies are: limited industrialisation, low per capita income, stagnant or low competition industries (often nationalized) and poorly developed commercial infrastructures (Isaga et al., 2015, Ruzzier et al., 2007, Taylor, 2013). Finally, the characteristics of emerging economies are: rapidly improving industrialisation, different levels of per capita income (often with a large wealth gap between rich and poor), moderate but increasing competition in industries and less developed commercial infrastructures (Cavusgil et al., 2008, Filatotchev et al., 2009, Kolodko, 2018, Yamakawa et al., 2008).

Thus, all developing economies would like to be emerging ones, with the associated economic, political and cultural development, and emerging economies similarly aspire to developed status; however, while emerging economies often cannot bridge the sharp gap between themselves and the developed countries, they are far ahead of the developing countries (formerly known as the Third World) (Contractor et al., 2007, Hoskisson et al., 2000, Kolodko, 2018). Consequently, the emerging markets are economies in between the developed and the developing economies (formerly called Second World).

Egypt is considered as one of the emerging countries and was ranked 22nd out of the first 30 emerging countries for the period 2012-2017 by a Global Intelligence Alliance report (Table 2.1).

Table 2-1: The top 30 emerging markets for 2012-2017

Rank	Country	Rank	Country
1	India	16	Nigeria
2	Brazil	17	Colombia
3	China	18	Saudi Arabia
4	Russia	19	Poland
5	Indonesia	20	Philippines
6	South Africa	21	UAE
7	Vietnam	**22**	**Egypt**
8	Mexico	23	Taiwan
9	Turkey	24	Hong Kong
10	Argentina	25	Peru
11	Thailand	26	Romania
12	Chile	27	Czech Republic
13	South Korea	28	Bangladesh
14	Malaysia	29	Pakistan
15	Singapore	30	Hungary

Source: (Global Intelligence Alliance, 2013)

However, Egypt is not considered to be one of the high-fliers among the emerging economies, for many reasons (e.g. widespread poverty and perceived political instability), despite its uniquely advantageous geostrategic position (at the hinge of Eurasia and Africa, with the Suez Canal) and having a large, relatively well-educated population (Bakari, 2017). Therefore successive governments have made serious efforts, targeted at each industry, to kick-start economic growth and dynamism in Egypt (El-Meehy, 2002, Rachid, 2006).

The following table represents the United Nations Industrial Development Organization (UNIDO) report of key indicators about Egypt in 2014 (Table 2.2):

Table 2-2: Egypt key indicators

Egypt – Key Indicators		
Population (million)	90.2	UNDP 2016
GDP per capita (current US$)	3,187 (2009-2013) (lower-middle income)	World Bank
HDI ranking (Human Development Index)	112/186 worldwide (medium HDI) 13/19 in the Arab states region	UNDP 2013
CIP ranking (Competitive Industrial Performance)	62/118 worldwide 9/18 in the Arab states region	UNIDO 2011
Unemployment rate	13.4% total 25% female unemployment	CAPMAS 2015
Youth unemployment rate	39.3% 20-24 years old 20.9% 25-29 years old	CAPMAS 2013
Poverty ratio (Percentage of people living below national poverty line)	at 1$ a day 21% nationwide (2011) at 1.5$ a day 25.2% (2011) at 2$ a day 40% (2011)	World Bank
Industrial energy intensity	69/134 worldwide; 8/17 in the region	UNIDO 2011
GHG emissions (Greenhouse gases)	220 mtoe= 0.6% of world emissions (2005)	IMC-Mc Kinsey 2010

Source (UNIDO, 2014: 11, 2016)

This table presents some basic national statistics concerning economic and social indicators, particularly since the 2011 Arab Spring uprising. Interestingly, some economic growth ratios are still very weak, such as gross domestic product (GDP), which fell from around 5% in 2010

to around 2% in 2013. However, the most serious and intractable problem faced by Egypt is unemployment. 2013 was considered to have the highest unemployment rate compared with the previous five years, largely due to the perceived uncertainty and instability of the Egyptian political situation, which deterred international investment and encouraged Egyptians to invest elsewhere (UNIDO, 2014).

Thus, SMEs could offer a one-stop solution to alleviate the problematic economic situation in Egypt, because they require less capitalization, are generally home-grown and offer a proportionally high level of employment, having less mechanisation. Furthermore, the majority of firms in Egypt could be considered as SMEs (El-Saady, 2011, Handoussa, 2005). Therefore, SMEs, particularly in Egypt, are explored in this chapter.

2.3 Egyptian SMEs

2.4 SME definitions

2.4.1 SMEs definitions overview

Despite the importance of SMEs for the global economy (and each national economy), there is no single definition (Berisha and Shiroka, 2015, Qehaja et al., 2017). The technical SME definition varies between countries and world organisations (Javalgi and Todd, 2011, Oparaocha, 2015). However, there are general parameters between academic, financial agencies and governmental institutions concerning the definition of SMEs, which are usually

based on the number of employees, total annual turnover, total assets, capital, or a combination of these (Cunningham and Rowley, 2008). Moreover, some countries have different definitions based on the field of business in which they operate (e.g. manufacturing, agriculture, services, wholesale and retail etc.) (Berisha and Shiroka, 2015).

The data of SMEs definition has been mainly collected from the 'international finance corporation and the world bank group' (Kushnir, 2010a, b). To gain a clear understanding of these definitions, SMEs were divided into some sub-sections to illustrate some definitions from various countries and world organisations. It is important to emphasise that Micro-sized enterprises will be added to the definition to SMEs in order to get better clarification and understanding by getting the difference between micro, small, medium-sized enterprises in these definitions:

2.4.1.1 Countries using one criterion to define SMEs

In this category, it is found that some countries use just one criterion to define or to differentiate between MSMEs. The preferred single criterion in this matter relates to the number of employees or financial criteria

- *Number of employees as a single criterion of SMEs definitions:*

One of the most well-known criteria for defining MSMEs is the number of employees. It is clear in the following table that many countries use the number of employees as a single criterion to define MSMEs (Abor and Quartey, 2010, Kushnir, 2010a).

Table 2-3: Number of employees defining SMEs

Country	Micro	Small	Medium
Albania	1-4	5-19	20-79
Australia	1-4	5-19	20-199
Bolivia	1-9	10-49	n/a
Dominican Republic	1-9	10-49	50-249
Israel	1-9	10-49	50-100
Jordan	1-3	4-10	11-49
Kazakhstan	1-4	5-19	20-299
Mozambique	1-9	10-49	50-200
New Zealand	1-9	10-99	100-499
Northern Mariana Islands	1-4	5-9	10-19
Oman	1-5	6-20	21-100
Puerto Rico	1-9	10-49	50-249
Qatar	n/a	<10	n/a
Rwanda	1-10	11-30	31-100
Sri Lanka	1-4	5-49	50-149
Sudan	1-9	n/a	n/a
Tajikistan	n/a	<30	31-200
West Bank and Gaza	1-9	10-49	50-99
Yemen	1-9	10-99	100-499

Source: Adapted from (Kushnir, 2010a, b, OECD, 2011).

It may be concluded from the previous table that most of the microenterprises in these countries use a number between one to ten employees, whilst some countries, such as Qatar and Tajikistan, do not use microenterprises at all in their definition and consider small enterprises in one category along with micro enterprises. In the category of small enterprises, it is clear that some countries have defined 'small' as having less than twenty employees, such as in Albania, Australia, Jordan, Kazakhstan, Oman, and Qatar. On the other hand, some other countries consider 'small' as enterprises having less than fifty, or one hundred, as the maximum number of employees', such as in Bolivia, the Dominican Republic, Israel, Mozambique, New Zealand, Puerto Rico, Sri Lanka, the West Bank and Gaza, and the Yemen. It is clear that the maximum number of employees of medium size enterprises are categorised between 99 to 499 employees. Apart from some countries where the maximum number of employees, having less than one hundred, is considered, such as in Albania, Jordan, and the Northern Mariana Islands. Finally, there are two countries using just one category to differentiate between MSMEs. We found that Qatar is using small enterprises with less than ten employees to differentiate between small and large enterprises, whilst the Sudanese definition considered the number of employees from one to ten as microenterprises, and they do not differentiate between medium and large enterprises.

- *Financial definitions of SMEs*

Other countries use financial criteria as a single criterion to define MSMEs, such as assets, capital, investment and turnover. A small number of countries, such as Indonesia, Kuwait and

Nepal, depend on the use of financial criteria as a single criterion to define SMEs, as shown in the following table.

Table 2-4: Financial definitions of SMEs

Country	Micro	Small	Medium
Indonesia	Net assets less than IDR 50 million **OR** Total annual sales less than IDR 300 million.	Net assets from IDR 50 million to IDR 500 million **OR** Total annual sales from IDR 300 million to IDR 2.5 billion.	Net assets from IDR 500 million to IDR 10 billion **OR** Total annual sales from IDR 2.5 to 50 billion
Kuwait	n/a	Projects with capital <150,000 Kuwaiti Dinar.	Projects with capital <500,000 Kuwaiti Dinar.
Nepal	n/a	Fixed assets are less than Nepal Rs 30 million.	Fixed assets between Nepal Rs 30 million and Nepal Rs 100 million.

Source: Adapted from (Kushnir, 2010a, b, OECD, 2011).

It is clear from the previous table that each country uses their own financial criteria tool to define MSMEs. It is found that some countries use assets as a single financial criterion but some countries use net assets such as in Indonesia, whilst Nepal uses fixed assets. Conversely, Kuwait uses capital as its financial criteria tool to define SMEs.

2.4.1.2 Countries who use two criteria to define SMEs

In this type of definition, countries are using two criteria to define SMEs. The most common criterion is the number of employees (Hunt, 1983). Some countries depend on the number of employees, plus annual turnover or annual balance, whilst other countries use the number of employees, plus the type of industry. India uses two criteria to define MSMEs, but the number of employees is not one of them (Leonidou et al., 2004). Instead, they use investment in plants and machinery in the manufacturing sector, and investment in equipment in the service sector. These differences are clarified in the following table.

Table 2-5: Double criteria to define SMEs

Country	Criteria	Micro	Small	Medium
European Union	Employees and annual turnover	Staff headcount < 10 Annual turnover ≤ € 2 million OR Annual balance sheet total≤ € 2 million	Staff headcount < 50 Annual turnover ≤ € 10 million OR Annual balance≤ € 10 million sheet total	Staff headcount < 250 Annual turnover≤ € 50 million OR Annual balance sheet total≤ € 43 million
World Bank		Headcount < 10 Total Assets≤ $10,000 Total Annual Sales≤ $100,000	Headcount < 50 Total Assets≤ $3 million Total Annual Sales≤ $3 million	Headcount < 300 Total Assets≤ $15 million Total Annual Sales≤ $15 million
Singapore		n/a	-At least 30% local shareholding -Annual sales turnover of not more than S$100 million OR	

Country	Criteria	Micro	Small	Medium
			-Employment size of not more than 200 workers	
Turkey		-Employees < 10 -Annual turnover ≤ 1 Million, OR, Annual balance ≤ 1 Million	-Employees < 50 -Annual turnover ≤ 5 Million, OR Annual balance ≤ 5 Million	-Employees < 250 -Annual turnover ≤ 25 Million, OR, Annual balance ≤ 25 Million
Bosnia and Herzegovina		-Employees 1-9	-Employees 10-49 -Annual income EUR 200.000 -Assets EUR 100.000.	-Employees 50-249 -Annual income EUR 10 mil. -Assets EUR 5 mil.
Kyrgyz Republic	Employees & Industry	1-15 in Agri, Hunting, Forestry; Fishing; Mining; Mfg.; Electricity, Gas and Water; Constr. 1-7 in Sales, Repair, Hotel Servc., Transp. and Coms, Finance, Real estate, Edu, Health and Social Servc., Servc.	16-50 in Agri, Hunting, Forestry; Fishing; Mining; Mfg.; Electricity, Gas and Water; Constr. 8-16 in Sales, Repair, Hotel Servc., Transp. and Coms, Finance, Real estate, Edu, Health and Social Servc., Servc.	51-200 in Agri, Hunting, Forestry; Fishing; Mining; Mfg.; Electricity, Gas and Water; Constr. 17-50 in Sales, Repair, Hotel Servc., Transp. and Coms, Finance, Real estate, Edu, Health and Social Servc., Servc.
Canada		n/a	goods-producing firms <100 employees service-producing firms < 50 employees	goods-producing firms 100 to 499 employees service-producing firms 50 to 499 employees
Armenia		<5	<50 Indstr. and Prod. <25 Constr., Power eng., Science, Edu <15 Transp., Trade, Servc.	<100 Indstr. and Prod. <50 Constr., Power eng., Science, Edu

Country	Criteria	Micro	Small	Medium
				<30 Transp., Trade, Servc.
Belarus		n/a	<100 in Indstr. and Transp. <60 in Agri and SandT <50 in Constr. and Wholesale <30 in Retail and Servc. <25 in Other non-indstr.	n/a
Argentina		<5 Indstr. and trade, <4 Servc.	<24 Indstr., <23 Trade, <17 Servc.	<96 Indstr., <67 Trade, <66 Servc.
Azerbaijan		Individual entrepreneurs with on average 2 employees	< 40 in Constr. and Indstr. < 15 in Agri < 10 in Wholesale < 5 in Other sectors	n/a
India	Investment and Industry	Manufacturing Enterprises < US$ 50,000, Service Enterprises < US$ 20,000	Manufacturing Enterprises < US$ 1 mil, Service Enterprises < US$ 0.4 mil	Manufacturing Enterprises < US$ 2 mil, Service Enterprises < US$ 1 mil

Source: Adapted from (Kushnir, 2010a, b, OECD, 2011).

It is clear that one of the most popular MSMEs' definitions worldwide is that used by the European Union and the World Bank. Both definitions depend on number of employees and annual turnover. It is found that both are close to the number of employees but are different in the amount of annual turnover. However, these two definitions are considered as a very good

guide to put their own MSMEs definition such as in Bosnia and Herzegovina, Turkey, and Singapore.

On the other hand, some countries found that the number of employees and the type of industry make the definition of MSMEs more realistic. These countries are Azerbaijan, Argentina, Belarus, Armenia, Canada, and the Kyrgyz Republic.

2.4.1.3 Countries using three criteria to define SMEs

Countries in this category believe that one single criterion, or even two, is not enough to define MSMEs. Therefore, three main criteria are used to define SMEs, the most common of which are: the number of employees, the industry and its annual turnover or capital (Table 2.6).

Table 2-6: Triple criteria to define SMEs

Country	Criteria	Micro	Small	Medium
Argentina	-Employees -Industry -Annual Turnover or Capital	**Industry** Employees < 10 Annual Turnover ARS 1,800,000 Services Employees < 5 Annual Turnover: ARS 590,000 **Commerce** Employees < 5 Annual Turnover: ARS 2,400,000 **Construction** Employees < 5	**Industry** Employees 10 - 50 Annual Turnover: ARS 10,300,000 Services Employees 5 - 20 Annual Turnover: ARS 4,300,000 **Commerce** Employees 5 - 20 Annual Turnover: ARS 14,000,000 **Construction**	**Industry** Employees 51 - 200 Annual Turnover: ARS 82,200,000 Services Employees 21 - 150 Annual Turnover: ARS 28,300,000 **Commerce** Employees 21 - 150 Annual Turnover: ARS 111,900,000 **Construction**

Country	Criteria	Micro	Small	Medium
		Annual Turnover: ARS 760,000	Employees 5 - 20 Annual Turnover: ARS 4,800,000	Employees 21 - 150 Annual Turnover: ARS 37,700,000
Brazil		**Industry, Construction, Agriculture, others** Employees 1 to 19 Annual Turnover US$ 400,000 **Commerce, Service** Employees 1 to 9 Annual Turnover US$ 200,000	**Industry, Construction, Agriculture, others** Employees 20 to 99 Annual Turnover US$ 3,500,000 **Commerce, Service** Employees 10 to 49 Annual Turnover US$ 1,500,000	**Industry, Construction, Agriculture, others** Employees 100 to 499 Annual Turnover n/a **Commerce, Service** Employees 50 to 99 Annual Turnover n/a
Malaysia		**Agriculture** Employees <5 Annual Turnover <RM200,000 **Manufacturing** Employees <5 Annual Turnover <RM250,000 **Services** Employees <5 Annual Turnover <RM200,000	**Agriculture** Employees 5 to 19 Annual Turnover RM200,000 to less than RM1 million **Manufacturing** Employees 5 to 50 Annual Turnover RM200,000 to less than RM10 million **Services** Employees 5 to 19 Annual Turnover RM200,000 to less than RM1 million	**Agriculture** Employees 20 and 50 Annual Turnover RM1 million to RM5 million **Manufacturing** Employees 51 and 150 Annual Turnover RM10 million to RM25 million **Services** Employees 20 and 50 Annual Turnover RM1 million to RM5 million
Japan			**Manufacturing and Others** Employees 300 or less Capital 300 million yen or less **Wholesale** Employees 100 or less Capital 100 million yen or less **Retail** Employees 50 or less Capital 50 million yen or less **Service** Employees 100 or less Capital 50 million yen or less	

Source: Adapted from (Kushnir, 2010a, b, OECD, 2011).

Countries in this category agree with the previous MSMEs definition where they depend on the two most popular criteria: the number of employees and annual turnover or capital. However, these countries believe that each type of industry differs according to the country's economic orientation. For instance, a country like Argentina divides the definition into the three categories of Construction, Industry, and Commerce; while it is found that a country like Malaysia bases their definition on Agriculture, Manufacturing, and Services. This explanation shows that each country is different and that they base their MSMEs definition according to their economic interest.

2.4.1.4 Countries who define SMEs in more detail

Some other countries use much more detailed definitions of SMEs, notably China and the USA. Each type of industry has its own definition, according to the number of employees, total assets and business revenue. The following table illustrates the Chinese definition of SMEs for each industry category (Xiangfeng, 2007).

Table 2-7: More detailed Chinese definition of SMEs

Size Category	**Industries**	**Employment - based**	**Total assets**	**Business revenue**
Small	Industry	< 300	< ¥ 40 million	< ¥ 30 million
	Construction	< 600	< ¥ 40 million	< ¥ 30 million
	Wholesale	< 100		< ¥ 30 million

Size Category	Industries	Employment - based	Total assets	Business revenue
	Retail	< 100		< ¥ 10 million
	Transport	< 500		< ¥ 30 million
	Post	< 400		< ¥ 30 million
	Hotel and restaurant	< 400		< ¥ 30 million
Medium	Industry	300 - 2000	¥ 40 million - 400 million	¥ 30 million - 300 million
	Construction	600 - 3000	¥ 40 million - 400 million	¥ 30 million - 300 million
	Wholesale	100 - 200		¥ 30 million - 300 million
	Retail	100 - 500		¥ 10 million -150 million
	Transport	500 - 3000		¥ 30 million - 300 million
	Post	400 - 1000		¥ 30 million - 300 million
	Hotel and restaurant	400 - 800		¥ 30 million - 150 million

Source: Adapted from (Kushnir, 2010a, b, Xiangfeng, 2007: 39)

It is noted that 'SEs must meet one or more of the conditions. SMEs should meet three conditions. Source: SME Promotion Law of China 2003' (Xiangfeng, 2007: 39). This definition is considered to be a true reflection of the Chinese economic climate. In addition, the USA definition discusses SME definition in more detail. They use a classification for about 1000 industries in the USA to enable them to define SMEs. The US Small Business Administration Organisation (SBA) clarifies this definition. Some examples of SBA agency SMEs are:

Table 2-8: US SBA definitions of SMEs by sector

Category	Meaning
Manufacturing	Maximum number of employees may range from 500 to 1500, depending on the type of product manufactured
Wholesaling	The maximum number of employees may range from 100 to 500 depending on the particular product being provided.
Services	Annual receipts may not exceed $2.5 to $21.5 million, depending on the particular service being provided
Retailing	Annual receipts may not exceed $5.0 to $21.0 million, depending on the particular product being provided
General and Heavy Construction	General construction annual receipts may not exceed $13.5 to $17 million, depending on the type of construction
Special Trade Construction	Annual receipts may not exceed $7 million
Agriculture	Annual receipts may not exceed $0.5 to $9.0 million, depending on the agricultural product.

Source: Adapted from (Kushnir, 2010a, b, SBA, 2013: 1).

The definition used by the United States is close to that of the Chinese, where both countries give each industry its own definition. That is because China and the USA believe that each industry is different and thus should be treated with a different approach with regard to the definition of MSMEs.

2.4.2 Egyptian SMEs definition

It is found that Egypt is following the second category of defining MSMEs with 'Countries using two criteria to define SMEs'. The official Egyptian definition is mainly focussed on only small enterprises. Moreover, SMEs in the Egyptian definition use two main criteria relating to the number of employees and paid-in capital. The Egyptian law defined small enterprises number (141) in 2004, Article (1) as:

> *'Any company or individual firm that conduct production, service or commercial economic activities with a capital no less than 50,000 Egyptian pounds and no more than one million Egyptian pounds and employs 50 employees or less' (SFD, 2004: 2).*

As a result of the previous definition for defining only small enterprises, we can conclude that micro firms are any firm that conducts production, services, or commercial economic activities with a capital of less than 50,000 Egyptian pounds and no more than one million Egyptian pounds, and employing nine employees or less (SFD, 2004).

In this study, the author concentrates mainly on small and medium size wood and furniture industry enterprises. Micro and large enterprises are excluded because micro enterprises have an acute lack of resources (especially human and financial) (EFEC, 2015, UNIDO, 2016). A focus group conducted in this study (mediated by the author, discussed in detail in the data

collection chapter) confirmed that most microenterprises have no, or too few, international activities, and just work as very small suppliers for other firms (Abdallah et al., 2016, EFEC, 2015). On the other hand, large enterprises have resources, experience and many opportunities, which enable them to go global. Therefore, the main interest of this study is to understand the other two types of enterprises, SMEs, which have more opportunities than micro firms and more challenges.

Returning to the Egyptian definition, Egyptian law does not mention the criteria of medium size firms or even large ones; however, there are some definitions suggested by official organisations. Table 2.9 summarizes the definition of SMEs in Egypt.

Table 2-9: Egyptian definitions of SMEs

Institution	SMEs definition
Ministry of Industry, Trade and Small Industries, Egypt	Any firm having less than 500,000 Egyptian Pounds in fixed assets and 10-100 employees
Ministry of planning and International Cooperation, Egypt	Any firm with fixed assets less than 500,000 Egyptian Pounds, including both land and buildings.
Industrial Development and Workers Bank of Egypt	Firms with no more than 50 employees and no more than one million Egyptian Pounds of investment and no more than 500,000 of capital costs.

Institution	SMEs definition
The Central Agency for Public Mobilisation and Statistics (CAPMAS)	Small enterprises having from 5 to 50 employees and from 50 to less than 100 are the medium enterprises, while the paid in capital for small enterprises is from 50,000 to one million and from one million to 10 million for medium size enterprises.

Source: Adapted from (CAPMAS, 2013, El-Saady, 2011, Ministry of Trade & Industry, 2013, 2014)

Consequently, it appears from Table 2.9 that there is still no agreement on the definition of SMEs. However, the definition of the Ministry of Industry, Trade and Small Industries has some detail regarding the maximum number of employees for SMEs (Ministry of Trade & Industry, 2014). The definition of the Central Agency for Public Mobilisation and Statistics (CAPMAS) is much related to the Egyptian Law 'N 141'. Additionally, this definition gives more detail of the definition of medium size enterprises (CAPMAS, 2013). Therefore, this definition is considered as more related to our study of furniture industry SMEs in Egypt.

2.4.3 SMEs definition of the study

In this study, the definition of small size firms will directly follow the official Egyptian law concerning small business. While medium sized firms, as a result of the previous section of 'Egyptian SMEs definition', will be much more related to the CAPMAS definition because it is very relevant to this study. Therefore, medium-sized firms will be defined as: Medium-size enterprises, being any firm that conducts production, service or commercial economic

activities, with capital between one million to five million Egyptian pounds, and 15 to 250 employees, as shown in Table 2.10.

Table 2-10: Study definition of micro, small and medium enterprises

Criteria	**Micro**	**Small**	**Medium**
Number of employees	1 - 9	10 - 50	51 to less than 100
Capital	Less than 50,000	50,000 to less than 1000,000	1000,000 to 10,000,000

This definition was discussed with some Egyptian academics and consultants in the area of Egyptian SMEs, who agreed that this definition is widely accepted in the Egyptian environment. The number of employees in the medium size enterprise (51 to 99) is very reasonable because the Egyptian economy is still labour-intensive. In addition, this range of numbers is accepted in most other countries, as explained previously. The capital requirement of between 1000,000 to 10,000,000 Egyptian pounds is also accepted in the Egyptian environment, because Egypt is still a less developed, or emerging economy, and their financial capabilities are very weak (CAPMAS, 2013, El-Gohary, 2009, El-Meehy, 2002).

The wood and furniture SMEs have been chosen as the main industry to be studied. This industry is considered one of the important industrial chains in Egypt, which needs more interest from academics and policymakers. Indeed, the majority of firms engaged in the wood and furniture industry may be considered as SMEs (El-Meehy, 2002, Trade, 2014). Therefore, the

following section will concentrate on SMEs in the wood and furniture industry in Egypt, as an emerging economy.

2.5 Wood and furniture industry

2.5.1 Wood and furniture: an overview

Generally, the manufacturing of wood and furniture is still, surprisingly, mainly in the hands of industrialized countries, notwithstanding the fact that this industry is considered as 'one of the most basic and labour-intensive' industries (ITC and ITTO, 2005, Ng and Kanagasundaram, 2017): 'on average, the furniture industry has maintained itself as fairly small, labour-intensive units, or groups of small individual companies under one banner'.

Indeed, the wood and furniture industry is very big business, with an extensive trade network all over the world. World production of furniture is worth about US$ 350 billion in 2009 and it continues to increase, recently exceeding more than US$ 500 billion (CSIL, 2009, World Bank, 2016). The following figure shows the 60 most important countries in this industry.

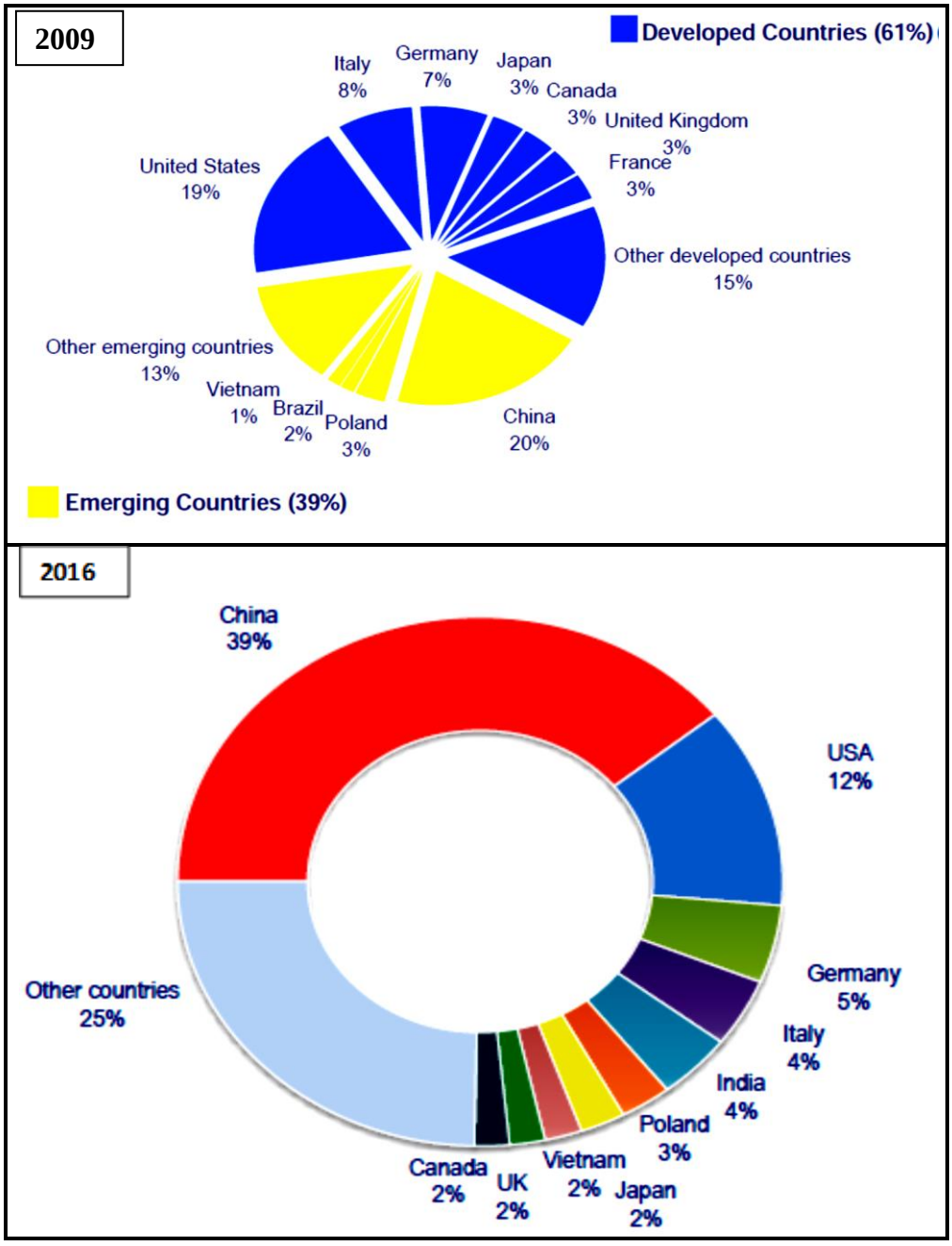


Figure 2-1: World furniture production

Source: (CSIL, 2009, 2018)

As described at the top of the graph, in 2009 the developed countries collectively have the highest percentage of world production for the furniture industry (61%). The USA, Italy and Germany contribute the major proportion from the developed countries (19%, 8% and 7%), with negligible individual contributions from other nations. Emerging countries contribute just 39% of world production, most of which are from China (20%), followed by Poland, Brazil and Vietnam (3%, 2%, and 1% respectively).

The institution of CSIL in their study of 'World Furniture Outlook 2017/2018' has increased the number of countries that have an interest in the wood and furniture sector. It has increased from 60 countries in the 2009 study, to 100 countries in the 2017/2018 study. Surprisingly, it has seen some dramatic changes. It is clear from figure 2-1 that the USA and China were the two leading countries in the wood and furniture sector worldwide. However, there was a great deal of change between the two countries from 2009 to 2016. In 2009, the USA was slightly ahead with just one percent more than China with 20% for USA and 19% for China. While, in 2016, the world furniture production for China increased and became almost double the percentage of the previous study in 2009, rising to 39%. On the other hand, the USA's world furniture production decreased and reduced to just 12%. Moreover from figure 2-1, we can see that Chinese world furniture production is higher than all the other countries combined with a lead percentage of 2% or more. In addition, China alone is higher than all the countries combined, of the other 90 countries, with a world furniture production percentage of less than

2%. Surprisingly, Egypt does not appear in the two studies in 2009 or 2016. This means that Egypt's world furniture production percentage is less than 2%.

In this study, Egypt is considered as one of the emerging economies and it shares the rest with other emerging countries of world production for the furniture industry. However, this industry in Egypt still has a very good reputation, especially in Damietta Governorate. This reputation is mainly in the Middle Eastern and North African (MENA) markets, which consumes about 52% of Egyptian furniture exports (Figure 2.4). However, the main problem is that the global market share for this industry in Egypt is very low, being less than 0.5% (ITC and ITTO, 2005).

Critically, it clearly shows in table 2.11 that furniture industry exporters in Egypt are considered one of the best fifty furniture exporters in the world, it is number 47 in the worldwide exporter rankings (Abdallah et al., 2016). The good news is that this industry is considered to be a very promising industry, having the largest average annual exports growth rate, having 38% in the period from 2003 to 2013. Whilst the bad news is that its percentage share in the world exports market is very low, which is 0.2% worldwide (Abdallah et al., 2016, ITC and ITTO, 2005).

Table 2-11: World's furniture industry exporters

Rank	Exporters	Value exported in 2013 (in US$ thousand)	Average annual growth rate between 2003 and 2013 (%)	Share in world Exports (%)
1	China	86 414 579	22	38
2	Germany	17 370 119	8	8
3	Italy	13 981 872	3	6
4	US	11 074 424	8	5
5	Poland	10 397 896	11	5
6	Mexico	8 193 183	7	4
7	Vietnam	5 666 266	25	2
8	Canada	4 674 762	-1	2
9	France	4 086 295	2	2
10	Czech Republic	3 794 377	10	2
47	**Egypt**	**377 558**	**38**	**0.2**
	Rest of the world	61 513 607	6	27
	Total/worldwide	227 544 938	10	100

Source: Adapted from (Abdallah et al., 2016: 42, ITC and ITTO, 2005)

The Egyptian wood and furniture industry has a long history, built on the strength of Egyptian craftsmanship. However, as we discuss mainly SMEs, we have to understand the main SMEs' distribution within economic activities. Consequently, The Central Bank of Egypt and the Egyptian Banking Institute has produced an important report about some particular economic indicators relating to Egyptian SMEs (EBI, 2012). This report provides a good picture of the Egyptian SMEs' economic activities and industrial distribution in Egypt. Some important data has been demonstrated in Figure 2.4, showing that manufacturing and trade SMEs are the main

two SMEs distributed across Egyptian economic activities. However, manufacturing SMEs lead the sector, with a very significant quantity of 49%, indicating the importance of this SME type representing industrial activity in Egypt, as compared to trade and tourism activities.

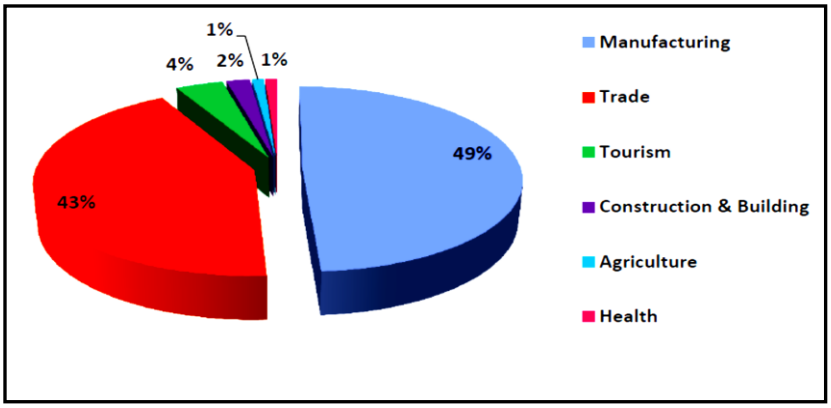


Figure 2-2: Relative distribution of SMEs according to main economic activities
Source:(EBI, 2012)

It is clear that the manufacturing and trade categories are considered to be the two most important economic activities within the Egyptian SMEs. Indeed, this study concentrates mainly on the manufacturing area. However, there are lots of industries included in this category. The second part of this governmental report shows the distribution of SMEs according to the manufacturing sector, as in Figure 2.3. Surprisingly, the wood and furniture industry holds the third position among all manufacturing SMEs, having the same percentage of 12%, as the metal industry, and is similar to the food and beverages, and textiles and garments industries, as shown in Figure 2.3.

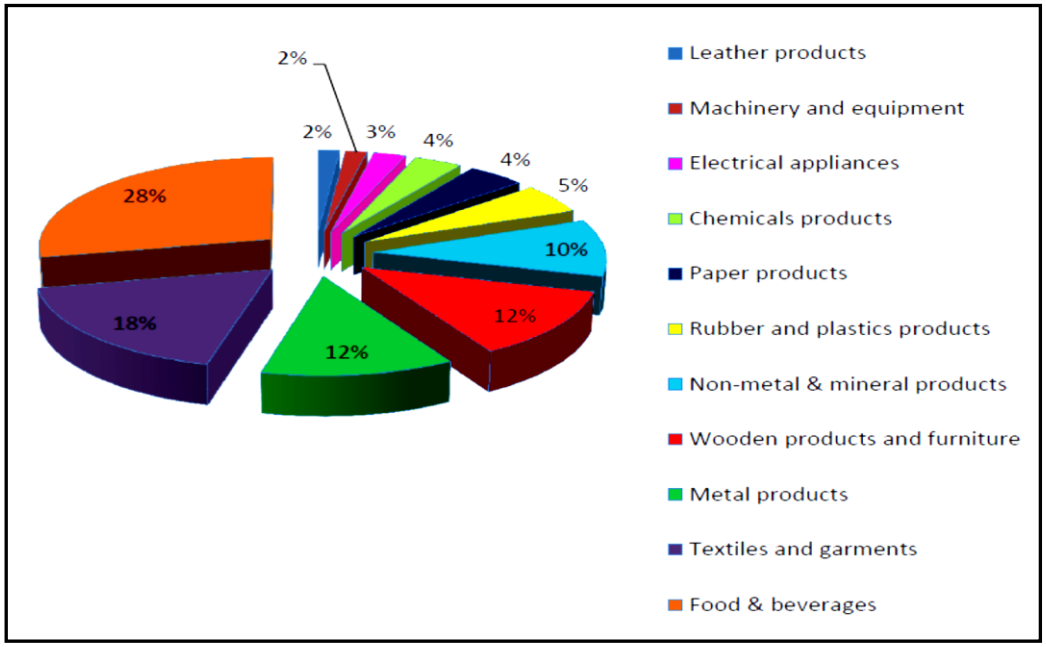


Figure 2-3:Relative distribution of SMEs according to manufacturing sector

Source:(EBI, 2012)

Furniture Exports

As the chart shows in Figure 2.4, the MENA region accounts for 60% of Egypt's wood and furniture market, and 11 of the top 15 export destinations from Egypt are in MENA. However, the total of 15 countries represents about 80% of the total Egyptian furniture export market (EFEC, 2015) – in other words, the additional four countries comprise 20% of demand in addition to the 60% from MENA. This massive contribution from the MENA countries may be because of the close cultural affiliations among these countries (e.g. shared language and logistical proximity).

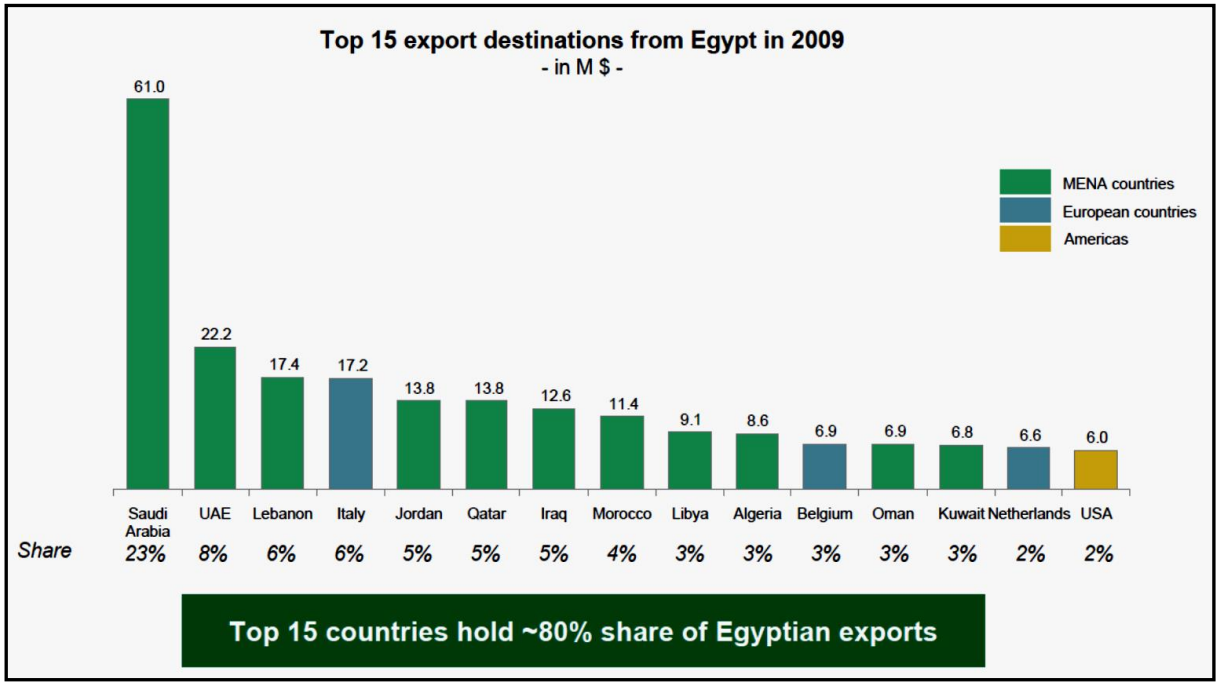


Figure 2-4: Top 15 export destinations from Egypt in 2009

Source: (IMC, 2010: 6)

On the other hand, Egypt imports furniture products mainly from China, which accounts for about 39% of overall Egyptian furniture imports, as shown in Figure 2.5. Surprisingly, the remainder of the top ten furniture countries exporting to Egypt share about the same percentage as China (EFEC, 2015).

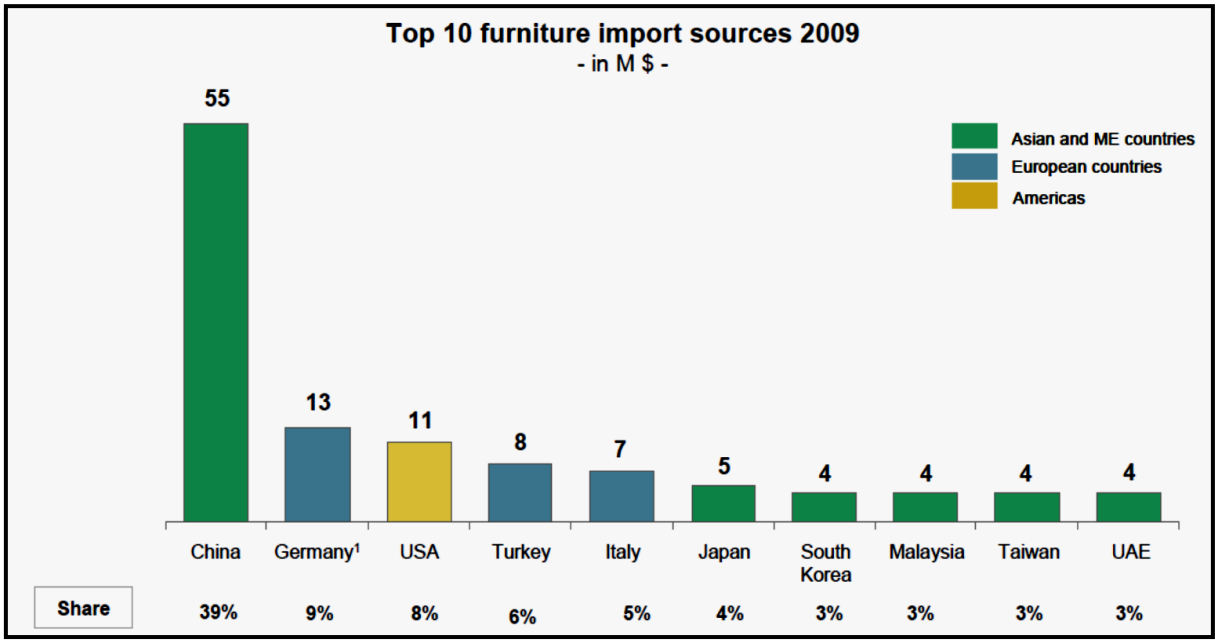


Figure 2-5: Egyptian furniture imports

Source: (IMC, 2010: 7)

Indeed, The Egyptian wood and furniture industry is considered to be a very promising industry, with lots of competitive advantages to potentially accessing more international markets (Caiazza, 2012). Some of these opportunities are: manpower costs are still low in Egypt compared with developed countries; Egyptians have the skills and the woodworking industry know-how; the industry still has flexibility in design and production; finally, the Egyptian Government strongly supports this industry and has the willingness to develop it in the future (Caiazza, 2012, EFEC, 2015, IMC, 2010).

The following figure presents the comparison between 75 furniture export countries and it is found that Egypt has highest export growth from 2003 to 2013. This means that this industry in Egypt is very important and promising to the Egyptian economy.

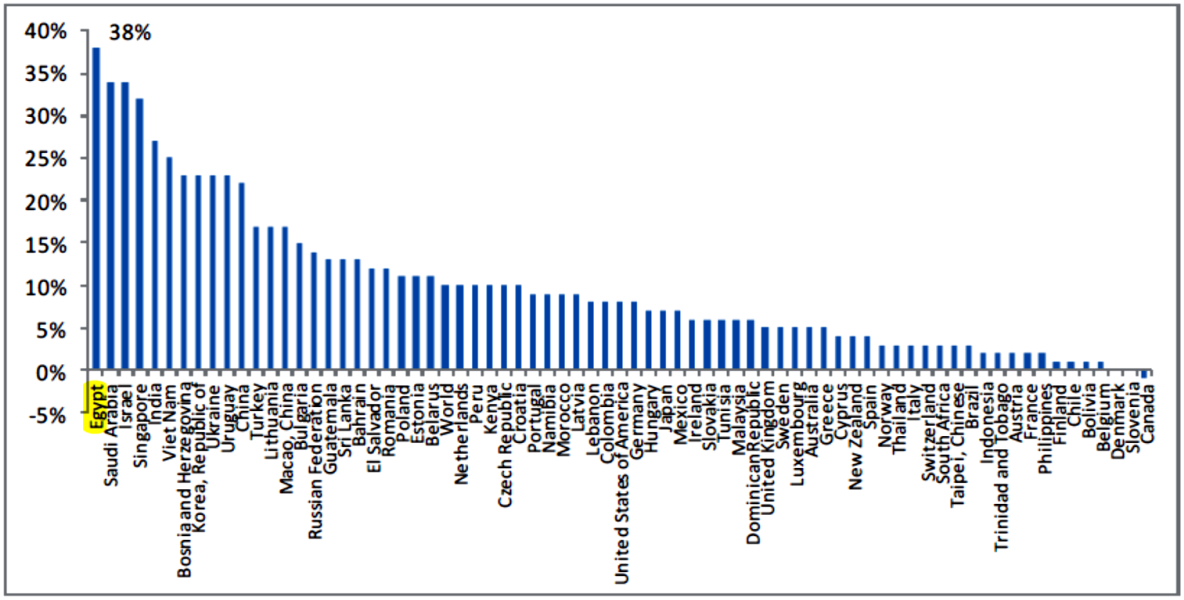


Figure 2-6:Top furniture export growth

Source: (Abdallah et al., 2016: 42)

It is clear that only four countries who exceed the furniture export growth of 3%, they are: Egypt, Saudi Arabia, Israel, and Singapore, respectively. It is very interesting to note that some high furniture exporting countries such as China and Vietnam have a very good competitive advantage like Egypt, whose advantage is its labour costs. However, another advantage that Egypt enjoys is its strategic location. This location helps to reduce costs and duration of

shipping furniture to the European, Asian, and African markets (Abdallah et al., 2016, El-Meehy, 2002).

Damietta Governorate in Egypt is considered to be one of the most famous furniture-producing areas, not only in Egypt but also in the MENA region, boasting unique skills and relatively low-cost labour (EFEC, 2015, IMC, 2010). Therefore, the following section discusses the wood and furniture industry in Damietta.

2.5.2 Damietta wood and furniture industry

Damietta is one of 27 governorates in Egypt. It is in the north of Egypt on the Mediterranean coast, 40km West of Port Said at the entrance to the Suez Canal, its location is shown in the map (Figure 2.7).

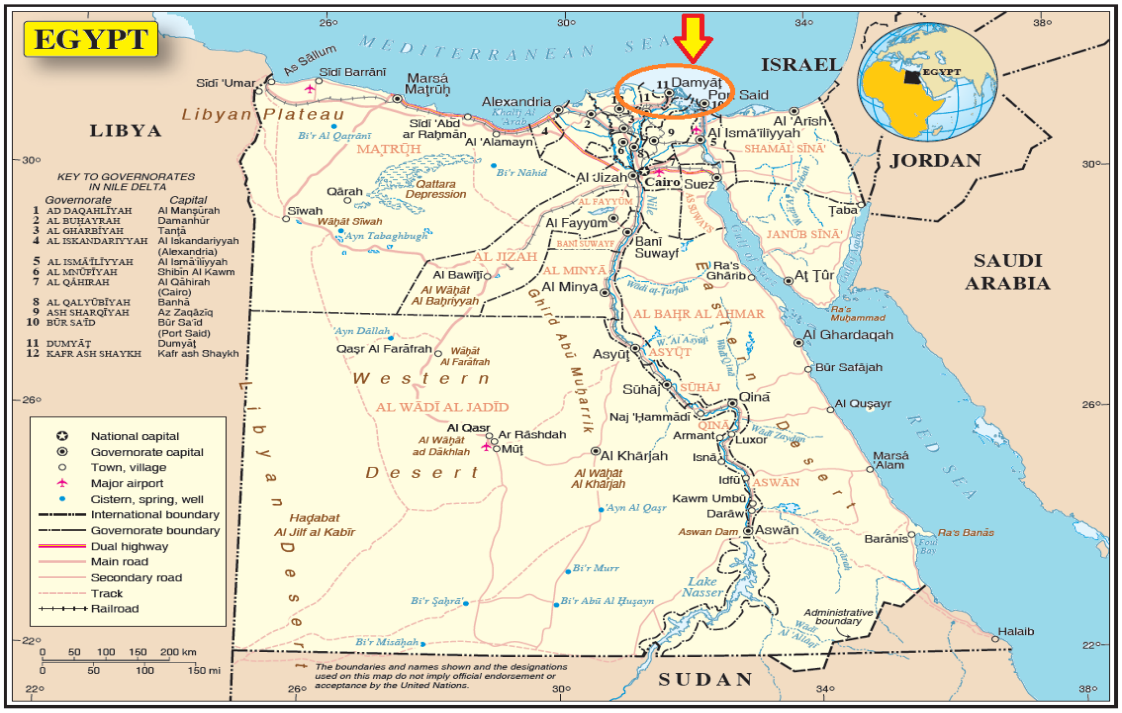


Figure 2-7:Map of Egypt

Source: (United Nations, 2012)

The Ministry of Industry and Foreign Trade in Egypt has explained the importance of the Damietta port and free zone, which affects all governorates' exports, especially wood and furniture (Ministry of Trade & Industry, 2013).

In addition, the Egyptian Government selected Damietta to establish an Industrial Park to accelerate industrial growth, especially wood and furniture. Most of the industries in Damietta are considered to be SMEs, making it one of the most important SME manufacturing

governorates, as seen in Figure 2.8, of which the manufacturing and industry SME activities are rated at more than 60% compared with the rest of SME economic activities in Damietta (Rachid, 2006).

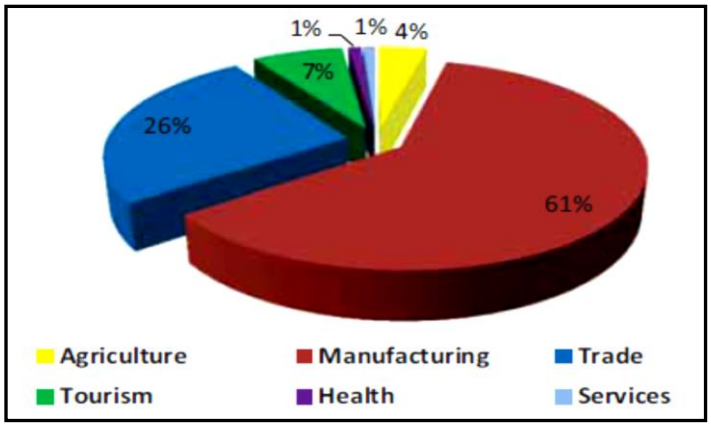


Figure 2-8: Relative distribution of SMEs in Damietta according to main economic activities

Source:(EBI, 2012)

About 40% of production in Egypt's wood and furniture industry is from Damietta Governorate, with about 39,000 small workshops, and about 500,000 people directly or indirectly dependent on this industry. This demonstrates the importance of this study on Damietta's SMEs (ITC and ITTO, 2005):

> *'Damietta, the historical home of the Egyptian furniture industry, boasts a wealth of skills and expertise. It is a city as cluster; where most of the (large) population are involved in, or dependent upon, some part of the furniture industry' (Culkin, 2000:12).*

As clearly shown in Figure 2.9, Damietta is the first governorate in Egypt in wood and furniture.

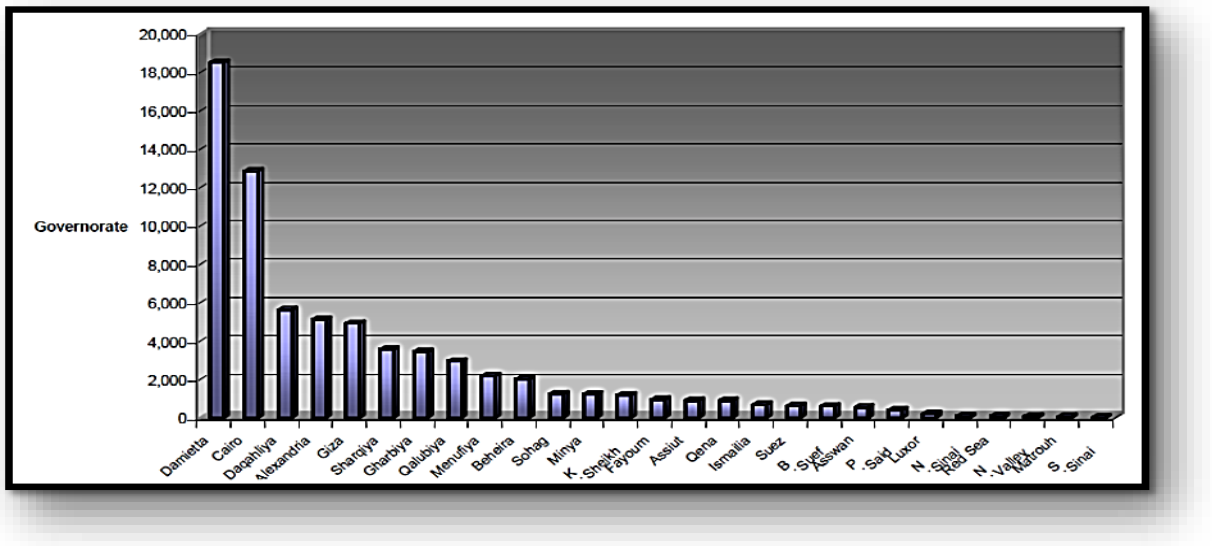


Figure 2-9: Geographical distribution of furniture industry in Egypt

Source (El-Meehy, 2002: 6)

Current literature clearly indicates the importance of the Damietta governorate in the Egyptian economy and the vital role of wood and furniture industry in its economic chain (El-Kilany, 2014, El-Meehy, 2002). In this respect, El-Kilany mentioned in his study that: 'Damietta represents a case of sustained economic development based on family managed small enterprises with low tech technology. It is famous for artisan industries, mainly the furniture' (El-Kilany, 2014: 55).

To sum up, Damietta has a very solid economic role among Egyptian governorates, especially in the wood and furniture industry. Therefore, this study explores the business factors affecting

the internationalisation of Damietta SMEs' wood and furniture industry and its impact on performance.

2.5.3 The characteristics of Damietta wood and furniture SMEs

At this point, it is important to give an overview of the main characteristics of Damietta wood and furniture SMEs. Therefore, the following points will present those factors that most affect the internationalisation and performance of the wood and furniture industry in Damietta. The following figure presents these factors by categories, having divided them into two main categories, these are the domestic and the international factors.

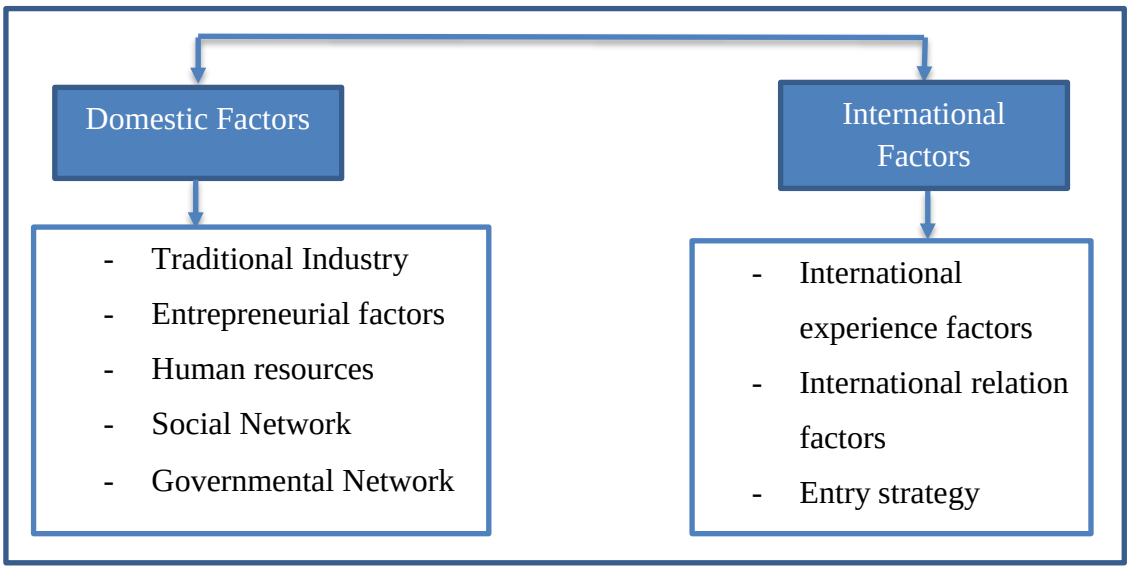


Figure 2-10:The factors of Damietta wood and furniture

The domestic factors

These factors relate to domestic environmental factors in Egypt. These factors relate to the type of industry, entrepreneurial factors, human resources, social networks, and governmental networks.

First is the traditional industry factor. The wood and furniture industry in Egypt, especially in Damietta, is still considered as traditional industry. The wood and furniture industry has a very long history in Egypt from the period of the British and French colonies and represents the most interest in Egyptian wooden products (Al-Etr and Wahba, 2002, Sidin, 2008, World Bank, 2016). In addition, this industry in Egypt has a special nature that depends on a skilled and talented labour within smaller size firms. Thus, human capital is considered to be one of the most important assets for this industry (El-Kilany, 2014, El-Meehy, 2002, IMC, 2010). Despite the presence of new technologies and the number of modern machines used in this industry, the human element is still the cornerstone of this industry in Egypt (El-Kilany, 2014, El-Meehy, World Bank, 2016).

The second factor is the entrepreneurial factor. Entrepreneurship is a very important factor for small businesses (Schaper and Volery, 2004). Entrepreneurship in Damietta's wood and furniture SMEs reflect the ability to detect new opportunities in both the local and international markets (AAC, 2003, Oviatt and McDougall, 2005, Padmasiri, 2012). Indeed, the majority of

SMEs in Egypt, especially in Damietta, are classified as a family business (Cerrato and Piva, 2012, Kontinen and Ojala, 2010). However, the new generations in these family businesses are characterised as more educated, more cultured, and more technology familiar (Chua et al., 1999, Herman, 2006). Therefore, they have the ability to take more risks, they are proactive, and innovate more than the old generation in this industry (Taylor, 2013, Yeoh and Jeong, 1995).

The third is the human resources factor. Human capital is focused on the skills and knowledge of personnel (Shepherd et al., 2005). Human capital in the industry of wood and furniture in Damietta is considered as very skilled labour in the Middle East and they are an important key to encourage firm internationalisation (Eldefrawi, 2015, Sadler-Smith et al., 2001, UNIDO, 2016). Therefore, it is crucial to indicate that human capital is considered the most important strategic resource in the industry of wood and furniture especially in Damietta's SMEs (Patterson and Cicic, 1995 and Ruzzier et al., 2007). In addition, human capital in Damietta is considered a source of gaining opportunities, skills, knowledge and experience in the international market. Moreover, it has been confirmed in the literature that human capital significantly and positively relates to the SME's degree of internationalisation (Bailey and Helfat, 2003, Cavusgil and Naor, 1987, Eldefrawi, 2015).

The fourth is the social network factor. We are now in the era of social communications (Pentina et al., 2012, Vásquez and Escamilla, 2014). Social networking is becoming a crucial factor for

any business (Ellis and Pecotich, 2001, Kefela, 2012). As mentioned earlier, the wood and furniture industry in Damietta is mostly considered as a large cluster of family businesses (IMC, 2010). Contemporary literature indicates that people having a good social network of friends, family, or neighbours and who has any type of business, are more likely to become entrepreneurs themselves (De Clercq and Arenius, 2006, and Morales-Gualdron and Roig, 2005). In addition, social networking is considered to be a very useful source of knowledge, resources and international opportunities (Klyver, 2008, and Menzies et al., 2004).

The fifth is the Governmental network factor. Governmental networks are considered to be a very important factor for small firms in emerging countries (Boter et al., 2005). Indeed, government support is crucial for Damietta's wood and furniture SMEs because the government provides important financial and marketing support to encourage firms to internationalise their businesses (Mazumder, 2012, Smallbone and Welter, 2001). Furthermore, firms cannot ignore the governmental network because it is the main source of labour law regulations, tax regulations, industrial policy, and any required infrastructure (Czinkota, 1994). In addition, governments run certain types of international assistance programmes to help the traditional and strategic industries in Egypt, aiming to increase firms' international opportunities and reduce the firms' internationalisation risks (Mazumder, 2012, Smallbone and Welter, 2001).

International Factors

These factors are related to the domestic environmental factors in Egypt. These factors are the international experience factors, international relation factors, and entry strategy.

First is the international experience factor. As mentioned earlier in Chapter One and will be discussed in more detail in Chapter Three, that the Uppsala model of internationalisation is mainly dependent on the concept of acquiring knowledge and experience (Coviello and Munro, 1997, Johanson and Vahlne, 1990). In addition, Oviatt and McDougall (1994) argue that firms with early internationalisation activities normally have some international experience within their individual teams, because international experience is considered as a basic for predicting the risks and challenges facing a firm in the international markets. The international experience factor is considered as one type of learning process, which is needed for firms and industries that depend on acquiring knowledge to access international markets (Forsgren, 2002, Pentina et al., 2012, Sommer, 2012). Therefore, it is crucial to discuss the international experience for the industry of wood and furniture in Damietta.

Second is the international relation factor. Strong entrepreneurial international relations are considered a very important bridge with international customers, international suppliers, and international governmental agencies (Löfgren, 2014). Furthermore, as mentioned earlier, network relations are considered to be a very supportive factor for the process of building

cumulative knowledge for wood and furniture SMEs in Egypt (El-Meehy, 2002, IMC, 2010, Kusumawardhani, 2013b, Ratajczak-Mrozek and Herbeć, 2014). Therefore, international relations play an important role to facilitate business activities locally or internationally to increase international opportunities and to reduce international barriers (Abdallah et al., 2016, Szyliowicz and Galvin, 2010).

The third factor is the international entry strategy. One of the most unique factors of the Damietta wood and furniture SMEs is how they access the international markets. These firms are normally following many entry strategies in order to access international markets. However, they have discovered that international exhibitions are the most favourable entry strategy for the majority of Egyptian firms especially in Damietta (Abdallah et al., 2016, IMC, 2010, Ratajczak-Mrozek and Herbeć, 2014). These firms prefer international exhibitions because this type of entry strategy is less risky and less expensive, and less commitment is required when compared with other types of access strategies to international markets (El-Gohary et al., 2013, Hilmersson and Jansson, 2012). In addition, this type of entry strategy also agrees with the principles of the Uppsala model of internationalisation, which is accessing international marketing and gradually investing in the international market until the required experience and knowledge is attained to enable firms to inject greater investment (Forsgren and Johanson, 2010, Lynn Childs and Jin, 2014, Vahlne and Johanson, 2013).

To sum up, this chapter has discussed the characteristics of Damietta wood and furniture SMEs dividing the categories between the domestic and international factors. All these factors are discussed in more detail in Chapter Four. In addition, the relationship of these factors, and the theoretical background of this study, are discussed in the literature review chapter especially in parts 3.3.4 Criticisms of the Uppsala model, 3.4.2 Criticisms of IEO, 3.5.4 Criticisms of RBV, 3.6.2 Criticisms of the Network theory, and 3.8 Critical links between the Uppsala model and the study's theories.

2.6 Chapter summary.

This chapter gives a clear understanding of the main parts of this study, which concern Egypt as an emerging economy and how this affects the internationalisation of SMEs in Egypt. Critically, this chapter compares about fifty SMEs definitions in various countries and international organisations. The Egyptian SMEs' definition solely recognises small enterprises, the Egyptian law of small enterprises number (141) in 2004. Therefore, it is very important to adopt a suitable SME definition that is related to the Egyptian environment and the industry of wood and furniture. Finally, this chapter discussed the industry in more detail by presenting its importance to the Egyptian economy particularly when discussing the great governorate of the wood and furniture industry in Egypt, which is the Damietta governorate.

The following chapter will critically review the principle literature focussing on internationalisation of SMEs, and takes into account the industry of wood and furniture in Damietta, Egypt. The following chapter will give a background of the internationalisation models, especially of the stage model of Uppsala. Critically, Chapter Three will present the main links of this study by showing the connection between the main internationalisation model of Uppsala and the three main theories of this study, which are international entrepreneurship, RBV, and network theory.

CHAPTER 3: LITERATURE REVIEW

3.1 Introduction

The previous chapter gave an overview of the internationalisation of Egyptian SMEs, mainly in the wood and furniture industry in Damietta governorate. It discussed an overview of Egyptian economy as one that is emerging. It also presented the significant role of SMEs in Egypt. Additionally, some worldwide SMEs definitions were presented and a new Egyptian SMEs definition was created to agree with the official definition of small business and the contribution from other official and non-official economical bodies in Egypt. Finally, the previous chapter discussed wood and furniture as the main industry of this study.

The main objective of this chapter is to critically review the main literature of internationalisation of SMEs and the theories and models that are most related to the industry of wood and furniture in Damietta, Egypt. This chapter is structured by starting with the general background of traditional and rapid models of internationalisation. In fact, the Uppsala model of internationalisation is considered to be one of the most related internationalisation models to this industry in this region. In order to understand this topic, this study is critically linked to the theories of International entrepreneurship, RBV, and network theory under the umbrella of the main internationalisation theory of Uppsala and its relationship to the performance of SMEs.

3.2 Internationalisation of SMEs

3.2.1 Internationalisation overview

The development of the literature on internationalisation from the 1970s to the present day is documented in this section. Generally, the study of Fletcher (2001) argues that to large extent, the factors causing internationalisation or the process of internationalisation are the millstone for internationalisation research studies. Consistent with this study, Andersson (2002) confirms that as the internationalisation procedure of a company is one of the fundamental subjects of international business research, firms come to be increasingly involved in international activities. However, a number of traditional methods and internationalisation practices cannot be captured, due to complex forms of international behaviour, which evolved in the environment of international business (Breda Kenny and Sheikh, 2000, Bridget C Kenny, 2009). Consequently, Fletcher (2001) asserts that national borders are gradually becoming inappropriate. Thus, this issue and others have been imposed on companies 'to adopt a more dynamic, as opposed to an incremental approach and to switch between forms of international involvement as the changing market circumstances require' (Fletcher 2001: 29).

Although some scholars have been nominated in an effort to synthesise the literature on internationalisation (Aaby and Slater 1989, Anderson 1993, Johanson and Vahlne 1990), a commonly accepted definition of the term 'internationalisation' remains vague (Welch and Loustarinen 1988, Whitelock and Munday 1993, Young 1987).

According to Beamish (1990), internationalisation is ‘the processes by which firms both increase their awareness of the direct and indirect influence of international transactions on their future, and establish and conduct transactions with other countries’ (1990: 77).

Global market diversification affords companies the opportunity to raise earnings by competencies across numerous global markets with lower risk for higher performance and taking maximum advantage of existing products (Hitt et al, 1997). The degree of internationalisation is often measured as the proportion of foreign sales to total sales (FSTS) and reveals a company’s level of international diversification, which is often reflected by the total of diverse markets in which the firm operates (Hitt et al, 1997).

A business’s degree of internationalisation has been conceptualised in preceding studies using different terminologies, such as internationalisation, the degree of internationalisation, export intensity, international diversity, international business intensity, geographic diversity, and scale and scope (Cavusgil and Zou 1994, George, Wiklund and Zahra 2005, Sullivan, 1994). However, a single measure of FSTS has been employed by the majority of studies (Preece et al., 1999).

Many scholars in the area of international business have tended to focus on large multinational corporations (Child and Hsieh, 2014). However, SMEs have a significant role to play in

international business activities. SME internationalisation is still an emerging area of research in developing and emerging economies (Burgel and Murray 2000, Crick and Jones 2000, Knight 2000, Kolodko, 2018, Rundh 2003, Yamakawa et al., 2008). In Egypt, SMEs form the majority of enterprises and contribute to the flexibility and resilience of the economy, as well being active in international markets (El-Meehy, 2002, Ministry of Trade & Industry, 2014).

This emphasis on larger firms is of additional concern, given the argument that smaller firms differ from larger firms in terms of their managerial style, independence, ownership and scale/scope of operations ((Javalgi and Todd, 2011, Oparaocha, 2015, O'Farrell and Hitchins 1988, Schollhammer and Kuriloff 1979), with structures that are less rigid, sophisticated and complex than those in larger firms (Carrier 1994, Carson et al. 1995, Isaga et al., 2015, Julien 1993). As stated by Schuman and Seeger (1986: 6):

> *'Smaller businesses are not smaller versions of big business…smaller businesses deal with unique size related issues as well, and they behave differently in their analysis of, and interaction with, their environment'.*

Therefore, after discussing an overview of internationalisation, it is very important to understand the theories and model in this area of study, as discussed in the following section.

3.2.2 General background of Internationalisation models

Although abundant research has been done on the internationalisation of companies, to come up with particular internationalisation models, there is no generally accepted particular model of firm internationalisation (Bilkey and Tesar, 1977, Johanson and Mattsson, 2015, Knight and Liesch, 2016, Miesenbock, 1988, Tüselmann et al., 2016). There are a quite a number of approaches to capture firm internationalisation. We can categorize some of these important approaches into two main categories: the first is traditional models, such as the stage approach that comprises product life cycle theory cycle (Raymond Vernon, 1979), the Uppsala internationalisation theory (Johanson and Vahlne 1977), and the Dunning or OLI model (Dunning, 1977). The second category includes rapid internationalisation approaches, such as international new ventures (Oviatt and McDougall, 1994) and born global companies (Hammoudi, 2005). This background introduction of internationalisation models will give a quick understanding of the different internationalisation approaches to enable the author to select the suitable internationalisation model to study the wood and furniture industry in Egypt.

3.2.2.1 Traditional internationalisation models

In the stage approach, firms gradually adopt international activities. First, firms have to sell their products in their home country, and sequentially they seek other countries to which they sell, as an expansion strategy (Matlay et al., 2006). Stage approach can be identified by two main theories, the first of which is the Uppsala internationalisation theory (Johanson and

Mattsson, 2015, Johanson and Vahlne, 1977, Johanson and Wiedersheim-Paul, 1999), and the second is product life cycle theory (Raymond Vernon, 1966).

1- Uppsala model or internationalisation process model

The Uppsala model was initiated by Johanson and Mattsson (1987) and since then the model has been further developed by Johanson and Wiedersheim (1999). The Uppsala model conceptualises the internationalisation procedure through four gradual steps, which are:

First stage: No regular export activities
Second stage: Export via independent representatives
Third stage: Establishment of a foreign sales subsidiary
Fourth stage: Foreign production/manufacturing units.

The Uppsala model formulated by Johanson and Vahlne (1977)is shown in Figure 2.10.

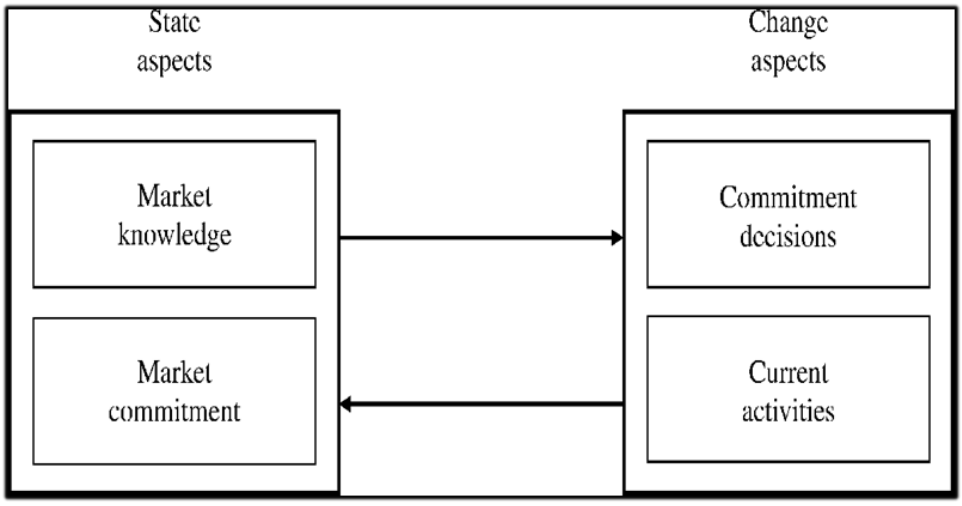


Figure 3-1:The Uppsala model

The Uppsala model sheds light on the internationalisation process using four core concepts: market knowledge, market commitment, current activities and commitment decision (Figueira-de-Lemos et al., 2011, Johanson and Vahlne, 1977, Vahlne and Johanson, 2017b). These concepts link market commitment decisions to market knowledge and current commitments in the market. It assumes consecutive internationalisation due to uncertainty about operating abroad because of a lack of experience, information and knowledge about the target market (Johanson and Vahlne, 2009). This specifies that the future direction of internationalisation is affected by its current state.

Two patterns of internationalisation are often described in this model. Firstly, the four steps mentioned above build the internationalisation process. Businesses emerge into a market via a low risk and low commitment approach, before increasing to a high risk and high commitment

approach, using wholly owned manufacturing subsidiaries and foreign states (Matlay et al., 2006). Secondly, companies make their entry into new markets sequentially, beginning by going into countries with less physical distance factors in terms of industrial development difference, business practices, culture, education and language (Andersén, 2010, Johanson and Wiedersheim-Paul, 1999). This suggests that companies enter a specific market near to and similar to the home country characteristics, before venturing further afield into more distant and dissimilar markets.

2- Product life cycle theory

The international product life cycle may be of particular interest to a company, by which it charts the improvement of the company's marketing programme when competing on both foreign and domestic fronts. Also, this theory represents a theoretical model that describes how a business progresses over time and across national borders (Audretsch et al., 2017, Iritani et al., 2015, Matlay et al., 2006).

Four major fundamentals describing the international product life cycle theory are shown in Figure 2.9. These fundamentals are categorized depending on the product's stage in the traditional product life cycle (Audretsch et al., 2017, Matlay et al., 2006). Introduction, growth, maturity and decline are the stages of the basic product life cycle (Raymond Vernon, 1979).

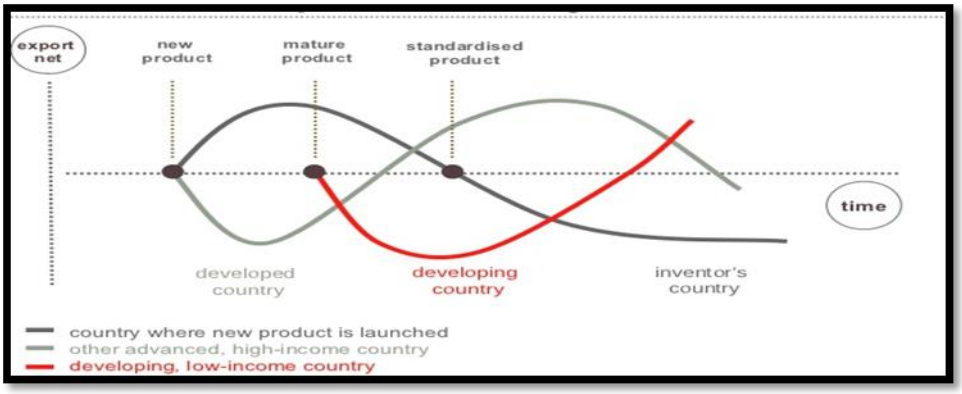


Figure 3-2: Vernon's product life cycle theory

During the introduction stage, consumers discover new products, which, for some, are not immediately understood. Consumers who prefer cutting-edge goods or services may be willing to pay a higher price. Production is characterized by rapidly changing manufacturing methods and depends on skilled labour (Conlon, 2016). Markets are mostly domestic markets (Aaby and Slater, 1989, Matlay et al., 2006).

The growth stage is based on mass production. During the growth stage, competitors begin to copy the product and trade within developed markets. Exporting is also initiated by these competitors, often branching out to the country that originally invented the product (Matlay et al., 2006).

When the product enters the maturity phase of the international product life cycle, this means that nearly everyone who would buy the product has bought it. The global marketplace becomes

saturated and industries compete for continuing sales through innovative product features and dropped prices (Aaby and Slater, 1989, Matlay et al., 2006).

In the decline stage, product innovators may move production into developing countries in an effort to keep costs low and to increase sales. During the decline phase, the product may no longer be used or produced by most developed countries, and the price is comparatively low (Matlay et al., 2006, Nilsson-Lindén et al., 2018).

3- Dunning model (the eclectic paradigm)

According to the Dunning model, there are three groups of advantages: ownership (O), location (L), and internationalisation (I), or OLI (Dunning, 1977). These three sets are of particular importance to firm internationalisation. It is company choice to serve foreign marketplaces in accordance with the appropriate degree of integration of the three advantages. Dunning concludes that the rationale for which a firm chooses to internationalise is:

> *the more a country's enterprises possess ownership-specific advantages, the greater the incentive to internalize them; and the more these enterprises find it profitable to exploit the advantages outside their national boundaries, the more likely they are to engage in foreign direct investment… a country's involvement in international direct investment then becomes a function of the ownership and internalization advantages of its enterprises relative to those of other nationalities*

and its location-specific endowments relative to those of other countries (Dunning 1981: 1).

- Ownership advantages

Ownership advantages originate from both tangible assets, such as capital and natural resources and intangible assets, such as brand power, knowledge and managerial skills. Dunning (1988) confirms that the value of ownership-specific advantages of a firm has to be superior to that of its competitors, in order to counterbalance the costs which may be incurred in global manufacture. Dunning (1988: 2) simplifies:

> *'the ownership-specific advantages… must be sufficient to compensate for the costs of setting up and operating a foreign value-adding operation in addition to those faced by indigenous producers or potential producers'.*

In this respect, the work Brouthers et al. (1996) clarifies that the choice of entry mode of small firms is influenced by ownership advantages.

- Location advantages

Location-specific advantages are relevant to economic outcomes being affected by geographical location (Dunning 1977, 1988, 2015). In other words, a company has to retain ownership-specific advantages over its competitors in foreign marketplaces (Dunning, 2015, Matlay et al., 2006). Where the market structure is deemed imperfect, the company attempts to internationalise its exclusive advantages through FDI, thereby becoming a multinational

enterprise (MNE) (Kogut, 1983). Thus, location-specific advantages are critical for FDI to secure global achievement.

- Internalisation advantages

According to Dunning (1977, 1988, 2015), Internationalisation advantages empower a firm to generate value by internationalising its possession precise advantages. Additionally, Dunning (1988) develops the internationalisation theory by integrating it with location advantages and ownership advantages. This framework advocates that firms will prefer to select an advanced degree of incorporated entry mode, such as FDI when the three sets of advantages are high (Brouthers et al., 1999).

3.2.2.2 Rapid internationalisation

Many firms enter international markets right from their inception and avoid step-by-step patterns in their international practice. These firms formulate rapid internationalisation approaches. This perception is associated with various theories, for instance global start-ups (McDougall et al., 1994b), virtual instant global entrepreneurs (Katz et al., 2003), born international (Majkgard and Sharma 1999), international new ventures (Oviatt and McDougall, 1994) and instant internationals (Preece et al., 1999). The core concepts to identify these rapid models are the total turnover, the scope and the speed of internationalisation (Falahat et al., 2015, Matlay et al., 2006). In other words, rapid internationalisation firms should have at least

25% of foreign sales in their total turnover, and function in the global marketplace within three years of inception (Jones and Dimmitratos 2004b).

Despite the many concepts related to rapid internationalisation models, the most prominent ones are international new ventures and born global (Hammoudi, 2005, Knight and Liesch, 2016, Park, 2010). These two shape the core concepts of the rapid internationalisation models and are discussed next.

4- International new ventures

The work of Oviatt and McDougall (1994) employs a theoretical framework to define and describe the internationalisation of new ventures. In this respect, how international new ventures (INV) operate within the theory of MNE has been explained. They define an international new venture as a business organization that, from inception, seeks to derive significant competitive advantage through the use of resources and the sale of outputs in multiple countries (Oviatt and McDougall, 1994,49). Four main elements necessary for sustainable INV are shown in Figure 2.11.

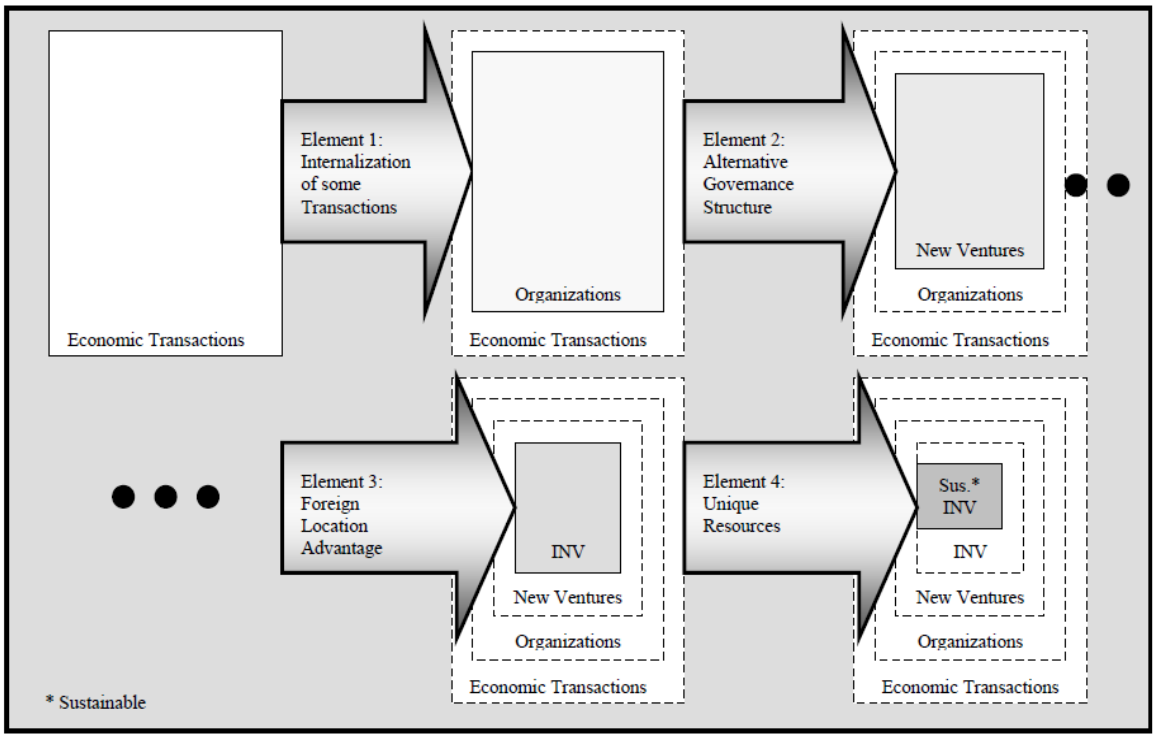


Figure 3-3: Elements for sustainable international new ventures

The framework begins with economic transactions. 'Element 1: internalisation of some transactions' differentiates transactions that are governed by markets from those that take place within organisations. The first arrow explains how the deficiency of resources results in possession or internalization of a smaller proportion of the resources. 'Element 2: alternative governance structure' separates transactions associated with established firms' new ventures from those associated with new ventures (Matlay et al., 2006). 'Element 3: foreign location advantage' differentiates transactions associated with INV from those that establish new ventures. The location advantage is derived from the great mobility of knowledge that results in differentiation or cost advantages for INVs and MNEs. Finally, 'Element 4: unique

resources' distinguishes the subset of Sustainable International New Ventures from short-lived firms. The last arrow denotes unique resources, such as 'knowledge'. Therefore, the model recommends that, in order to sustain their competitive advantage, INVs they have to limit the use of knowledge by outsiders in many countries (Li and Deng, 2017, Matlay et al., 2006, Yamakawa et al., 2008).

5- Born globals

The study of Gabrielsson (2005) proposes that born globals are similar to INVs because they emerge due to access to a borderless market and cutting-edge technology. Born global firms begin internationalising instantly, sometimes working simultaneously with domestic operations (Bell et al., 2000). Born globals are associated with high-tech start-ups (Jolly et al. 1992), instant exporters (McAuley 1999), committed internationalists (Bonaccorsi 1992), global start-ups (Baughn and Neupert 2003, Oviatt and McDougall 1995) and INVs (Autio and Sapienza 2000, Coviello 2006, Fan and Phan 2007, Han and Celly 2008, McDougall et al. 1994, Li and Deng, 2017, Mudambi and Zahra 2007, Oviatt and McDougall 1994). Despite the number and diversity of terms, the central focus of all these concepts is on rapid and intensive internationalisation of small firms (Blomqvist et al., 2008).

Rennie (1993, 47), who coined the term 'born globals', states that:

> *'Born Globals are important for two reasons. Although small, they are 1) strikingly competitive against larger established players, and their competitiveness has increased significantly in the past two decades and 2) managing profitable, fast-growing global business systems in a way that was impossible 20 or even ten years ago'.*

Born globals are characterized by universal involvement immediately after their launch, and entering more than one overseas marketplace, regardless of the physical distance involved, using a number of entry modes, such as strategic alliances or exporting, as well as joint ventures (Bell, 1995, Falahat et al., 2015, Madsen and Servais, 1997).

3.2.3 The relationship between Internationalisation models and the research study

As we can see from the wood industry of Egyptian SME background, the majority of these SMEs follow certain themes when accessing international markets (El-Kilany, 2014, World Bank, 2016). Almost all of them prefer to sell their wooden and furniture products locally. Then, after achieving experience in the local market, some of these SMEs will be encouraged to take internationalisation risks and access the international markets (Abdallah et al., 2016, El-Kilany, 2014, El-Meehy, 2002, Ng and Kanagasundaram, 2017). However, the less experienced SMEs will access the closest international markets with regards to culture and language similarities. As is clearly seen in Figure 2.4, most of Egypt's wood and furniture products are exported to MENA countries, especially Arabic countries (El-Meehy, 2002). Therefore, this study is

depending mainly on the traditional internationalisation models especially the Uppsala internationalisation model because of the similarities of this model with the research study nature. This is because, as will be discussed later in this study, we will find that most of the wood and furniture industry in Egypt is following the staging strategy for accessing the international markets (Abdallah et al., 2016, El-Kilany, 2014, Ng and Kanagasundaram, 2017). Therefore, all these relationships will be discussed in subsequent parts of the literature review chapter and will be emphasised in the conclusion and contributions chapter. After discussing our main internationalisation theory, we will discuss three of the most related theories, IEO, RBV, and Networking, to the wood and furniture industry in Egypt under the umbrella of the Uppsala internationalisation model.

3.3 The Uppsala internationalisation model

The Uppsala internationalisation model is presented as the core logic of the theoretical platform of this study. Apart from the fact that the Uppsala model has been critiqued quite a lot during the previous year, which will be discussed in the criticisms of the Uppsala model, the Uppsala model is still alive today (Blomstermo and Sharma, 2003, Lommelen, 2004).

Therefore, the Uppsala model is considered as the root of the theoretical platform to study internationalisation of the furniture industry in Emerging countries. Johanson and Vahlne mentioned that the Uppsala model is considered one amongst a very few theoretical models that

focus on the firm's DOI (Johanson and Vahlne, 1977). The following will discuss both the original and the revised model of Uppsala. In this part, the Uppsala model will be presented in the following paragraphs by discussing the original model in the first instance, followed by discussing the revisited model. The model assumptions and criticisms will also be discussed to give more value to the study.

3.3.1 The Original Uppsala model

In 1977, Johanson and Vahlne introduced the original Uppsala model of internationalisation, which is considered as one of the main traditional theories of firms internationalisation (Johanson and Vahlne, 1977). The following figure illustrates the theoretical and the operational level of the Uppsala theory of internationalisation.

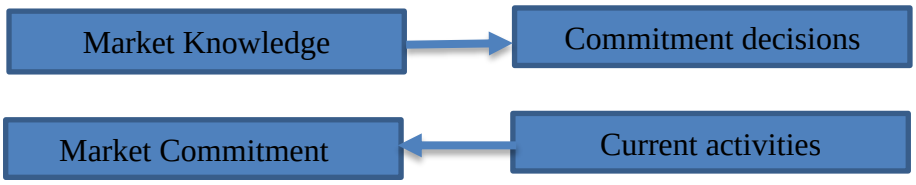
<table>
<tr><td>Theoretical Level</td><td colspan="2"> 
</td></tr>
<tr><td>Operational Level</td><td>Establishment Chain
1- No regular export activities
2- Selling via on agent
3- Overseas sales subsidiary
4- Overseas production
5- Manufacturing</td><td>- Physical distance
- Choice of new market
- Development within a specific country
- Development across countries</td></tr>
</table>

Figure 3-4: the theoretical and operational level of the Uppsala theory

Source: (Andersen, 1993: 222)

According to Johanson, and Vahlne, there are two levels of the Uppsala model which are the theoretical and operational levels. The first one has appeared in the upper part of the figure (3.4) which is the theoretical level (Johanson and Vahlne, 1977). The main idea of firm internationalisation here is to reduce risks to as minimum a level as possible and to increase the profit to a maximum level as possible by gradually increasing the firm's international involvement. This process is considered as a result of the interaction between market knowledge and market commitment (Johanson and Vahlne, 1977, Lommelen, 2004).

The logic of internationalisation of the Uppsala model is that the firm starts step-by-step to acquire some knowledge from the international market by locating some resources committed to that market, which is considered as path-dependent cycles. Consequently, the core driver of the Uppsala process is the firm's ability to gain a large stock of knowledge of international market which will directly affect the amount and the type of resources needed to commit to this international market (Lommelen, 2004, Vahlne and Johanson, 2013).

The second level of the Uppsala model of internationalisation is the operational level (Johanson and Mattsson, 2015, Johanson and Vahlne, 1977). The concept of expanding the firm internationally in this theory is dependent on accumulative experience and knowledge, which firms are seeking to enter markets that are close both geographically and culturally to the home country (Forsgren, 2002, Johanson and Vahlne, 2009). These close markets are considered the

most easily understood and have the ability to cope with their problems. After acquiring more experience from these close markets, the firms will have the ability to access more markets by adapting to more commitment and risks (Vahlne and Johanson, 2013). While on the other hand, the inexperienced firm will walk in the dark because the uncertainty level is huge due to the lack of knowledge and experience (Johanson and Mattsson, 2015, Johanson and Vahlne, 1977). Therefore, the internationalised firm through the Uppsala model is supposed to follow these four stages to access international markets. This model is started by building knowledge and experiences to close markets by performing some export activities (Vahlne and Johanson, 2014, 2017). After some more knowledge and experience is gained, they are able to go to the second stage, which is selling through an agent, and after acquiring more confidence about marketing and investing in more resources, they are able to open a sales subsidiary and production line in the international market (Johanson and Mattsson, 2015, Johanson and Vahlne, 1977).

3.3.2 The Uppsala revised model

The Uppsala revised model was also created by Johanson and Vahlne in the 1990s (Johanson and Vahlne, 1990). The main part, which is clarified and added to the original model of Uppsala, was the industrial network perspective. Johanson and Vahlne argue that an industrial network is considered a cornerstone to explaining firm internationalisation (Coviello and Munro, 1997, Johanson and Vahlne, 1990). They mentioned that: 'An extension of the internationalization process model that takes into account the network aspect should consequently make the

concepts of commitment, knowledge, current activities and commitment decisions as multilateral rather than unilateral as in the original model. That is, the process is also inter-organizational and not just intra-organizational' (Johanson and Vahlne, 1990: 19).

The Uppsala revised model has followed the roles and assumptions of the original model. However, they considered networks and relationships as being very valuable to firms to acquire more knowledge and experience by building trust and commitment to all network parties. In addition, they consider that the valuable industrial networks are also essential for successful firm internationalisation (Costa e Silva et al., 2012, Forsgren, 2002, Vahlne and Johanson, 2017a, Yamin and Kurt, 2018).

Therefore, from the revised Uppsala model's point of view, firms are not only acquiring knowledge and experience from their own activities but also from the other network partners. Consequently, firms are viewed as a kind of exchange activity (Johanson and Vahlne, 2009, Yamin and Kurt, 2018). Generally, the Uppsala model makes some assumptions and criticisms, which will be discussed briefly in the following points.

3.3.3 The assumptions of the Uppsala model

The Uppsala internationalisation model has some conditions and assumptions (Andersen, 1993, Björkman and Forsgren, 2000, Johanson and Vahlne, 1977, 1990, 2009, Yamin and Kurt, 2018). These assumptions will be discussed as follows:

- The Uppsala internationalisation model looks at firms from the learning process point of view. In addition, it considers firms as:
    - One of the main assumptions of this model is that firms are considered as risk averse in ordered to keep risk at as minimum a level as possible.
    - Firm resources are gradually committed to the international market.
    - Uncertainty is considered vital to firms seeking to internationalisation, therefore, firms looking forward to increasing their knowledge and experience.
    - Individuals such as entrepreneurs and workers are responsible for creating experiential knowledge additionally to identifying opportunities in foreign markets.

- Generally, there are three exceptions from the general rule of internationalisation to explain early internationalisation of SMEs (Johanson and Vahlne, 1990, Vahlne and Johanson, 2014, 2017a):
    - Firms with significant resources can take greater internationalisation steps because the consequences of the distribution resource commitments are lower.

- Companies can exploit the vast opportunities of experience gained from markets with similar conditions to disseminate and generalise this experience to specific markets that more easily facilitate the process of internationalisation.
- In the case of homogenous markets, the relevant accumulated experience and knowledge in these markets can be a very good opportunity to accelerate the internationalisation of companies.

3.3.4 Criticisms of the Uppsala model

Apart from the massive research nowadays that discusses early internationalisation, the traditional Uppsala model of internationalisation is still in use as a theoretical foundation of many scholars (Forsgren and Johanson, 2010, Lynn Childs and Jin, 2014, Vahlne and Johanson, 2013, 2014). However, over the last four decades, the Uppsala model has been widely used and tested with inconclusive conclusions as a result. On one hand, some researchers find arguments for the model (Barkema et al., 1996, Blomstermo and Sharma, 2003, Chetty and Eriksson, 2002, Clark and Pugh, 2001, B Elango and Pattnaik, 2007, Pangarkar, 2008). On the other hand, some scholars find arguments against the model, and then conclude that the model does not adequately respond to the underlying motivations of a firm's internationalisation (Anderson et al., 1994, Bell, 1995, McDougall and Oviatt, 1996).

As a result of the difference between scholars' outcomes about the Uppsala model, there are some critics of the Uppsala model of internationalisation which will be discussed as follows:

- With regard to the external validity of the Uppsala model, this model was widely used from the early 1970s when it began with four large Swedish companies and it is shown to still have value nowadays in certain research contexts (Johanson and Vahlne, 1990, Moen, 2002, Oviatt and McDougall, 1997, Sullivan and Bauerschmidt, 1990).
- The operational part of the Uppsala model demonstrates one of its main weaknesses, being that the internationalisation process from the Uppsala point of view, is considered as a deterministic and irreversible process (Andersen, 1993, Lawrence Welch and Luostarinen, 1988). Therefore, the Uppsala model does not clearly discuss the situation of early internationalisation such as the born global case, depending rather on the incremental learning process to lead to internationalisation. However it overlooks that there are many firms who conduct their business through international activities (Knight and Liesch, 2016, Lawrence Welch and Luostarinen, 1988).
- The Uppsala model of internationalisation depends on the incremental learning process from two main concepts: knowledge and commitment. Put simply, the more knowledge and experiences that are acquired will lead to more resource commitment to international markets; and the more commitment to international business leads to more knowledge, but the main question here is: which one should come first, knowledge or

commitment? (Andersen, 1993, Björkman and Forsgren, 2000, Blomstermo and Sharma, 2003).

3.4 International Entrepreneurship

3.4.1 The rationale of international entrepreneurial orientation (IEO)

International entrepreneurship was first introduced in the late 1980s (Morrow, 1988). Over the last three decades, international entrepreneurship has become one of the liveliest empirical and conceptual contributions field of research (Zucchella and Magnani, 2016). The empirical study of McDougall (1989), who is a true pioneer in this field, is considered one of the first works on the international entrepreneurship area. This study focuses on international sales of new ventures and defended international entrepreneurship as 'the development of international new ventures or start-ups that, from inception, engage in international business, thus viewing their operating domain as international from the initial stages of the firm's operation' (McDougall, 1989: 388). This idea of international new ventures had spread by the early 1990s. Oviatt and McDougall define INV as "... a business organization that, from inception, seeks to derive significant competitive advantage from the use of resources and sale of outputs in multiple countries" (1994: 49).

Many authors have discussed the boundaries of international entrepreneurship. Some researchers categorise international entrepreneurship as the principle domain in international

new ventures such as McDougall (1989), whilst others concentrated on the construct of entrepreneurial behaviour, which has been recognised and observed in different kinds of firms (Zahra, 1993, Zahra and Covin, 1995). In her major study, Zahra (1993) suggests that the study of international entrepreneurship should include both new and established firms since entrepreneurial activities are an on-going process that unfolds over time.

Table 3-1 : Summary of international entrepreneurship definitions

Scholar	Definition
(McDougall, 1989)	IE is considered to be the development of both start-ups or/and INV from their inception to their internationalisation.
(Zahra, 1993)	The study of the nature and consequences of a firm's risk-taking behaviour as it ventures into international markets.
(Oviatt and McDougall, 1994: 49)	'A business organization that, from inception, seeks to derive significant competitive advantage from the use of resources and sale of outputs in multiple countries'
(Richard W Wright and Ricks, 1994)	International entrepreneurship is considered as a firm level activity and its relationship with the international environments in which they operate.
(McDougall and Oviatt, 1996: 293)	'New and innovative activities that have the goal of value creation and growth in business organization across national borders'
(McDougall and Oviatt, 2000: 903)	'A combination of innovative, proactive, and risk-seeking behaviour that crosses, or is compared across national borders, and is intended to create value in business organizations'.
(Oviatt and McDougall, 2005: 540)	'International entrepreneurship is the discovery, enactment, evaluation, and exploitation of opportunities across national borders to create future goods and services'
(Mathews and Zander, 2007: 2)	'entrepreneurial processes that extend across national boundaries: (1) the discovery of new opportunities, (2) the deployment of resources in the exploitation of these opportunities, and (3) the engagement with competitors'
(Karra et al., 2008: 442)	'the best definition of international entrepreneurship is one based on international resources configurations" and "international entrepreneurship involves building competitive advantage by developing complex international resource configuration'.

Source: Adapted from (Zahra and George, 2002: 41, Zucchella and Magnani, 2016: 9, Table 1.1)

As shown in table 3.1, international entrepreneurship has been improved and developed. From 1994, a number of researchers have reported the importance of firms' behaviour and the international environments in which they operate (Richard W Wright and Ricks, 1994). In addition, the important role of the business environment influences entrepreneurial activities and these have been recognized by many authors (Zahra, 1993, Zahra and Covin, 1995).

By the end of the 1990s, the entrepreneur activities/dimensions play a major part in international entrepreneurship definition. As appeared in McDougall and Oviatt's (1996) definition stating: 'New and innovative activities that have the goal of value creation and growth in business organization across national borders' (1996: 293). This definition concentrated on innovative activities as a dimension of international entrepreneurship. The study of McDougall and Oviatt (2000) presents a wider definition of international entrepreneurship having concentrated on 'comparative (cross-national) analyses. Therefore, they defined international entrepreneurship as 'a combination of innovative, proactive, and risk seeking behaviour that crosses or is compared across national borders and is intended to create value in business organizations' (2000: 903). This definition considers the first work of Danny Miller (1983). It looks at the phenomenon of entrepreneurship from the firm level, by considering the three major dimensions of entrepreneurship: risk-taking, innovation, and proactive behaviour. Furthermore,

this definition focuses on the entrepreneurial behaviour of organisations rather than focusing only on the characteristics of the individual entrepreneur (Zucchella and Magnani, 2016).

Many researchers have discussed the three key dimensions of entrepreneurship such as Knight (2000), by focusing on international entrepreneurship as being 'associated with opportunity seeking, risk-taking, and decisive action catalysed by a strong leader or an organisation' (2000: 14).

Further contributions to the international entrepreneurship definition by the first part of the 21st century, are aspects such as discovery and exploitation of international opportunities which became a major key characteristic to define international entrepreneurship (Zahra and George, 2002). Zahra and George's present this idea by confirming that international entrepreneurship is 'the discovery, enactment, evaluation, and exploitation of opportunities across national borders to create future goods and services' (Oviatt and McDougall, 2005: 540). In the same way, Dimitratos and Plakoyiannaki define international entrepreneurship as 'an organization-wide process, which is embedded in the organizational culture of the firm, and which seeks through the exploitation of opportunities in the international marketplace, to generate value' (2003: 189). In addition to this point, Mathews and Zander defined international entrepreneurship as 'entrepreneurial processes that stretch across the discovery of new business opportunities in an international context to aspects of exploitation including the redeployment

of resources and the ultimate engagement with competitors' (Mathews and Zander, 2007: 389). This definition focuses on not only to exploit international opportunities but also on international entrepreneurial dynamics characteristics, and the firm's own dynamic resources and capabilities, which too are related to this study by focusing on entrepreneurial orientation, resources, and networks.

Regarding the relationship between international entrepreneurship and firm resources, Karra, Phillips and Tracey have defined international entrepreneurship as: 'IE involves building competitive advantage by developing complex international resource configuration' (Karra et al., 2008: 442).

International entrepreneurship is considered as a new growth opportunity for both new ventures and established firms, and was considered as 'the creation of new economic activity' (Davidsson et al., 2006: 27). The literature presents the assumption that entrepreneurship and international entrepreneurship contribute to value creation at both company level and national level (Hessels, 2008). Therefore, the role of international entrepreneurship has become a significantly widespread phenomenon. In the past, FDI by MNEs was more responsible for international trade worldwide. However, recently, the role of entrepreneurship and the effect of the internationalisation of smaller business and international new ventures has come to play

a vital part in the development of the global economy (Moen, 2002, Oviatt and McDougall, 1994).

Consequently, entrepreneurship is crucial in the area of increasing economic growth, which contributes widely to the creation of job opportunities (Henrekson and Stenkula, 2010). Furthermore, not only does entrepreneurship contribute to the international economy, but it also contributes to company performance at the micro level, whatever the firm's age, location and size (Kraus et al., 2012, Kusumawardhani, 2013b).

International entrepreneurship has been receiving a lot of interest from researchers and academics. According to IET, the key to internationalisation nowadays is the entrepreneur (McDougall and Oviatt, 2000, McDougall et al., 1994a), who possesses the skills and information to measure opportunities in the market, and the ability to create and make stable relationships with other firms, suppliers, customers, governments and media. One of the important roles adopted by the entrepreneur is that of the 'individual decision-maker' affecting international business by their personal characteristics (Child and Hsieh, 2014).

EO is considered a major part of IEO, which is presented by IE scholars. According to the definition of McDougall and Oviatt 'International entrepreneurship is a combination of innovative, proactive, and risk-seeking behaviour that crosses national borders and is intended

to create value in organizations' (2000: 903). As a result, the dimensions of EO are the same in IEO but they operate in an internationalisation environment. The IEO dimensions will be discussed in the following section.

3.4.2 Criticisms of IEO

There are some dimensions of EO. However, there are three main dimensions that are widely used in EO literature. These dimensions are clearly stated in Freeman and Cavusgil (2007: 3): 'International entrepreneurial orientation refers to the behaviour elements of a global orientation and captures top management's propensity for risk taking, innovativeness, and proactiveness'. Consequently, proactiveness, innovativeness, and risk-taking are considered the three elements of IEO, which is widely agreed upon by IE scholars (Javalgi and Todd, 2011, Lumpkin and Dess, 1996, Mahmood and Hanafi, 2013b, Danny Miller, 1983).

According to these three dimensions of IEO, entrepreneurs are found to be an essential part of the IEO process. Consequently, there are some assumptions that entrepreneurs with high EO enhance their competitive advantages in the international market. Therefore, related skills and abilities should be developed by the entrepreneurs to gain international market opportunities, such as: accepting internationalisation uncertainty (Danny Miller, 1983), being flexible to deal with any alternative opportunities in the international market (Zahra and George, 2002), and thirdly not only dealing with existing opportunities, but also searching for new ones (Lumpkin and Dess, 1996).

The following table provides details of research papers related to entrepreneurial orientation literature, demonstrating the most common entrepreneurial dimensions.

Table 3-2: Literature Review related to entrepreneurial orientation

Reference	Dimensions	Sample Size	Industry type	Country of Origin
(Danny Miller and Friesen, 1982)	Environmental dynamism, Integration, Resource availability, Environmental dynamisms, Differentiation, Integration, Consciousness of strategies, Product innovation, and Risk taking.	52	Mix	Canada
(Covin et al., 1990)	Risk-taking, pro-activeness, and innovation	113	Mix	USA
(Zahra and Covin, 1995)	Innovation, Risk-taking, and Proactiveness	108	Mix	USA
(Lumpkin and Dess, 1996)	Innovation, Risk-taking, Proactiveness, Autonomy, Competitive Aggressiveness	NA	NA	USA
(Barrett and Weinstein, 1998)	Innovativeness, proactiveness, and risk-taking	142	Mix (manufacturing)	USA
(Atuahene-Gima and Ko, 2001)	Risk-taking, proactiveness, aggressiveness, innovation	181	Mix	Australia

(De Clercq et al., 2003)	Innovation, proactiveness, and risk-taking	92	Mix	Belgium
(Wiklund and Shepherd, 2003b)	Innovation, proactiveness, and risk-taking	384	Mix	Sweden
(Monsen, 2005)	Risk-taking, innovativeness, proactiveness, and autonomy	1505	Healthcare industry	USA
(Tan and Tan, 2005)	Futurity, proactiveness, a risk affinity, analysis, and defensiveness	104	Mix	China
(Poon et al., 2006)	innovativeness, proactiveness, and risk-taking	96	Mix	Malaysia
(Schillo, 2011)	Risk-taking, innovativeness, proactiveness, Competitive Aggressiveness and autonomy	NA	NA	NA
(Kraus et al., 2012)	Innovation, proactiveness, and risk-taking	164	Mix	Netherlands
(Taylor, 2013)	Innovation, proactiveness, and risk-taking	200	Mix	Jamaica
(Kurtulmuş and Warner, 2015)	Innovation, proactiveness, and risk-taking	117	Textile-related industries	Turkey
(Shan et al., 2016)	Innovation, Autonomy, Competitive, aggressiveness, proactiveness, and risk-taking	153	Computer games, video games	China

Table (3.2) presents a sample from entrepreneurial orientation literature in relation to performance or internationalisation. As is clearly seen, Danny Miller and Friesen (1982) present one of the core models of entrepreneurial orientation, with many dimensions, such as environmental dynamism, integration, resource availability, differentiation, integration, the consciousness of strategies, product innovation, and risk-taking. These dimensions and their measures have been tested for more than two decades. Indeed, apart from the type of industry, or a country's economic category, there are three important entrepreneurial orientation dimensions, with three common factors between them. These dimensions are innovation, proactiveness, and risk-taking.

- *Innovativeness*

The first part of EO is innovativeness, defined by Lumpkin and Dess as 'a firm's tendency to engage in and support new ideas, novelty, experimentation, and creative processes that may result in new products, services, or technological processes' (1996: 923). Innovativeness can be considered as a source of creativity in market dynamics (Schumpeter, 1942). Schumpeter also stresses that innovation is considered as a vital part of the entrepreneurial process (Schumpeter, 1942).

- *Risk-taking*

Risk-taking is the second part of EO, which can be defined as 'the degree to which managers are willing to make large and risky resource commitments' (Lumpkin and Dess, 1996: 293). In addition, risk-taking could be considered as entrepreneurial willingness to engage in business with a highly degree of uncertainty (Zahra and Covin, 1995).

- *Proactiveness*

Proactiveness is the third part of EO, which refers to the way that a firm reacts to the environment when adopting strategies such as opening new market opportunities, producing new products, applying new administrative techniques, or applying new technology (Danny Miller and Friesen, 1978).

Many scholars have concluded that the combined measure of proactiveness, innovativeness, and risk-taking are used as three core dimensions of measuring IEO. These three dimensions have been merged together to build the construct to understand the relationship between the firm's performance and IEO (Covin and Slevin, 1989, Kraus et al., 2012, Danny Miller, 1983, Naman and Slevin, 1993, Rauch et al., 2009, Tayauova, 2011).

Javalgi and Todd discussed entrepreneurial orientation in the internationalisation of SMEs in India and found that there is a strong and significant linkage between entrepreneurial orientation

and the degree of internationalisation (Javalgi and Todd, 2011). Furthermore, these outcomes are supported by previous literature with a positive links between international expansion and entrepreneurial orientation (Autio et al. 2000, Zucchella et al. 2007). These results are closely related to the entrepreneurial international experience, which is supported by Zahra and George (2002). In addition, human resources, especially those of SMEs, have a vital connection to international entrepreneurial orientation, with a great impact on competition and performance. The following section will discuss the second theoretical part, which is the resource-based view theory.

3.5 Resource-based view (RBV) theory

3.5.1 The rationale of (RBV)

The resource-based view of the firm (RBV) is considered as one of the most significant perception approaches in business and strategic management literature (Theriou et al., 2009). Over the last two decades, firms' external business environment has become more complicated. Therefore, some strategic management scholars concluded that a firm having its own resources and capabilities may have more stability and more power to face more competition (Grant, 1991, Lommelen, 2004). RBV clarifies that each business has resources and capabilities, and that some resources, under certain conditions, can be exploited and become sources of competitive advantage (Matlay et al., 2006).

RBV proposes that performance results and competitive advantage are a consequence of firm-specific resources and capabilities that are costly to copy by other competitors (Barney, 1991, Barney, 2000b, Foss, 1997b). These resources and capabilities should be valuable, increasing efficiency and effectiveness, imperfectly imitable, rare and non-substitutable (VRIN) (Barney, 1991).

In many studies, RBV has been adopted to understand and analyse a wide-range of internationalisation issues. For example, (McDougall et al., 1994a) focusing on the relationship between RBV and the formation of INVs. While Chang (1995) focuses on the relationship between RBV and entry strategies when examining the international entry strategy between the Japanese and USA firms. Buller and McEvoy (2000) look at resources and capabilities from a different perspective such as studying ethical capability as a unique source of sustainable advantage for multinational firms. In addition, Trevino and Grosse (2002) stress firm-specific resources and their relationship with FDI in developed countries, which was the USA. Whilst culture, as a resource, has been adopted to understand the effect of behaviour and performance of Chinese international joint ventures (Ji Li et al., 2001).

RBV assumes that there might be heterogeneity in companies' strategic resources, and that there is imperfect mobility in the market of these strategic resources, thus allowing the possibility that businesses may attain a lasting benefit (Barney, 1991). Company resources

comprise all information, knowledge, capabilities, assets and processes, etc. that allow them to operate efficiently. It is important to recognise that resources are not solely assets, but the definition extends the theory to other intangible processes within the firm (Dhanaraj and Beamish, 2003).

RBV is considered a basis for local and international competitive advantage of any firm (Dhanaraj and Beamish, 2003). This approach contains two valuable categories: tangible and intangible resources. The first consists of physical items such as human resources, machinery, equipment, financial resources and land; whilst intangible resources are any other resources that have no physical existence but are still valuable and owned by the company, such as accumulative experience, technology, brand reputation, intellectual property and culture.
Recent literature has stated that not all organisation resources and capabilities will lead to improvement in the firm's local or international performance. However, only some unique resources and capabilities will lead to these advantages (Lommelen, 2004, Teece et al., 1997).

Due to matters of cost and time, we were not able to study all the tangible and intangible resources. Therefore, one of the major aims of the focus group in this study is to understand the resources relating to the Damietta SMEs that work in the wood industry. All the resources mentioned above are important to SMEs, two being particularly vital in this specific study: entrepreneur experience and human capital.

The reason for highlighting entrepreneur experience is because, as discussed earlier, SMEs involved in this type of industry in this specific region are following the Uppsala model of internationalisation, which suggests that 'experience' is considered crucial for these SMEs (Johanson and Vahlne, 2009). They have to gain good experience in the local markets first, and then they will gradually have access to the nearest international markets with a similar culture, language and distance (Abdallah et al., 2016). With experience, they will then have the capability to access more international markets.

On the other hand, the reason for choosing human capital as the second part of RBV is because of the crucial importance of human resources in the wood and furniture industries, especially in developing and emerging countries (El-Meehy, 2002, IMC, 2010). All the focus group members agreed and confirmed that without the human resource with their talented skills in Damietta, the whole wood and furniture industry would not exist. To emphasize this point, one of the focus group entrepreneurs confirmed the importance of human resources, mentioning: 'Wood and furniture industry generally in Egypt and especially in Damietta is still considered as a traditional industry. Most firms are still using some old industrial techniques. Of courses they have some machines to help them in the production process but they have to do the major work by their skilled hand to ensure that the final product is in a very unique way' (Abdallah et al., 2016)

To sum up, we will discuss entrepreneur experience and human capital as the two critical and crucial resources in the wood industry in Damietta.

3.5.2 Entrepreneurial international experience

IET argues that the accumulative market knowledge depends mainly on the individual activities of entrepreneurial behaviour. It states that this accumulative market knowledge can also be built from an entrepreneur's experience (Bloodgood et al., 1996, Masum and Fernandez, 2008). Previous literature states that there is a significant and positive relationship between entrepreneur international experience and the degree of internationalisation (Bloodgood et al., 1996). In addition, the Uppsala model of internationalisation argues that internationalisation decisions depend mainly on incremental foreign experience and entrepreneurial knowledge (Johanson and Vahlne, 1977). As mentioned above, the SMEs are following the Uppsala model of internationalisation, which requires more emphasis on the experience concept (Johanson and Vahlne, 1977).

Obviously, entrepreneurs may encounter difficulties in gaining knowledge from an international market, and therefore SMEs have to learn from forging their own market experience and accumulating this to reduce risks and increase opportunities (Johanson and Vahlne, 1977).

It is stated in the literature that entrepreneur international experience is crucial for doing international business for smaller firms and INVs (McDougall and Oviatt, 2000). Entrepreneur experience, such as communication skills, is vital for internationalisation activities, to gain opportunities, and to reduce risk. Therefore, entrepreneurs should seek to gain an international vision that is based mainly on their internationalisation experience and knowledge (Oviatt and McDougall, 1999). Furthermore, it states that international decisions depend mainly on an entrepreneur's experience, independent of the firm's age or size (Ellis, 2000a).

Rammer and Schmiele (2008) study on German SME drivers of internationalising innovation conclude that knowledge and export experience is considered highly essential for the international innovation activities of SMEs. In addition, Hutchinson et al. (2009) discuss initial barriers to the internationalisation experience among UK SMEs, and conclude that the overall internationalisation experience needs government support to assist smaller business to overcome these internationalisation barriers, while Ruzo et al. (2011) argue that the international marketing strategy and RBV derived from a firm's experience, size and structure influence the export performance of Spanish firms.

Both entrepreneurial experience and human capital are very important resources that enable companies to create and gain international competitive advantage. Therefore, the following section will discuss human capital as a major element related to IET (Javalgi and Todd, 2011).

3.5.3 Human capital

Human capital is not simply the manpower doing the job, but rather individual stocks of knowledge accumulated together to achieve the company objectives. This human capital knowledge makes it the most crucial strategic company asset (Seleim et al., 2007).

Entrepreneurs manage individual assets in their firm that are defined as human capital. They are able to create and recognize opportunities, control the rest of the resources, and have the ability to explore international opportunities and gain (Burt, 2009). As such, an entrepreneur's human capital enables them to acquire the abilities and knowledge required to positively influence internationalisation. In addition, human capital is at the forefront of internationalisation literature in its contribution to a firm's successful internationalisation (Hitt et al., 2003).

Gonzalez-Alvarez and Solis-Rodriguez (2011) studied the entrepreneurial opportunities for Spanish firms by analysing the influence of human capital on the entrepreneurial process and they found that individuals possessing a greater stock of human capital have more chance of business creation. The importance of human capital has been noted in gaining opportunities, skills, knowledge and experience in the international market. Moreover, it has been confirmed in the literature that human capital significantly and positively relates to the SME's degree of internationalisation (Cavusgil and Naor, 1987).

In this study, the wood and furniture industry is viewed as a sort of industrial cluster in Egypt. Damietta governorate is considered the most furniture focussed industrial cluster in Egypt and it is thought to be one of the most important industrial furniture clusters in the Middle East (Abdallah et al., 2016, Handoussa, 2005).

Human resources play an essential role in industrial clusters (Padmasiri, 2012, Yamamura, 2009). Humans represent a unique source of abilities, acquiring new technologies and knowledge, especially in industries that need special skills, such as in traditional industries like the wood and furniture industry in Egypt (Abdallah et al., 2016, Schultz, 1961). Some scholars confirm that human capital is considered to be the catalyst for industrial cluster growth and development. However, this important role of human resource in industrial clusters is still an emerging issue in less developed countries like Egypt (Akoten and Otsuka, 2007, Padmasiri, 2012).

3.5.4 Criticisms of RBV

RBV is still an emerging perspective, especially in less developed countries and in low-tech industries (Foss, 1997a, Lommelen, 2004). There is still some terminological confusion regarding the RBV as: 'various resource-based theorists using concepts such as resources, competencies and capabilities, etc. to refer to what is seen as strategic assets' (Foss, 1998: 134). Meaning that until the present day, there remains confusion between the terms resources and

capabilities. It is clear that in many articles these terms are used as synonyms and there is not a clear cut point to distinguish between them.

In addition to the definition, some authors argue that RBV is an unworkable definition. Resources can be defined in one definition as 'By a resource this means anything that could be thought of as a strength or a weakness of a given firm. More formally, a firm's resources at a given time could be defined as those (tangible and intangible) assets which are tied semi-permanently to the firm (Wernerfelt, 1984: 172). Another definition mentions that 'Firm resources include all assets, capabilities, organizational processes, firm attributes, information, knowledge, etc. controlled by a firm that enable the firm to conceive of and implement strategies that improve its efficiency and effectiveness' (De Wit and Meyer, 2010: 291).

The problem with these definitions are that 'they do not sufficiently acknowledge the distinction between those resources that represent input to the firm and the capabilities that enable the firm to select, deploy, and organize such input' (Kraaijenbrink et al., 2010: 358). Additionally, there is no acknowledgment of how different kinds of resources and capabilities are contributing to firm growth and its gaining competitive advantage. Therefore, this study focuses on two of the most important resources to the furniture industry in Egypt in general and in Damietta in particular. Without the skilled and talented staff, this industry wouldn't exist, because this kind of industry in this region continues to follow some traditional techniques of industry. Indeed,

whilst some modern industrial technology is used, skilled human resources are still the main factor of this industry (Abdallah et al., 2016). On the other hand, the entrepreneur's international experience is considered a crucial source of this industry, enabling firms access to international markets.

3.6 Networks and internationalisation

The network theory is at the heart of the internationalisation process of firms (Fletcher, 2001). Companies rely heavily on their networks for many activities during the internationalisation process, especially when it comes to gathering market knowledge. Networking is also seen as a source of opportunity, particularly for entrepreneurial firms (Mattsson, 1985, Snehota and Hakansson, 1995). Most SMEs think that it is essential to be able to create business networks in order to internationalise. For this study, we need to understand how networks can help SMEs to create and develop internationalisation, which will follow the core logic of the Uppsala model and will be discussed in this chapter (Johansson and Mattson 1988).

A network is simply a set of two or more business-connected relationships. All businesses are embedded in one or more networks involving network parties in using the information and knowledge that the firm acquires and establishing close relationships with their distributors, governmental agencies, suppliers, customers, etc. (Hakansson and Snehota, 1995, Johanson and Mattsson, 1987). Networking is considered an important source of knowledge and information.

Consequently, networks provide mechanisms that contribute to speeding up the degree of internationalisation (Mitgwe 2006). These relationships depend mainly on commitment, sharing knowledge and mutual trust between the network members (Johanson and Mattsson, 1987).

The network is generally considered a form of relationship. A crucial part of these relationships is the actors, whether they are organizations or individuals. These actors have an infinite number of social relationships, meaning it may be difficult to comprehend their behaviour without recognizing the function of their relative contexts (Anderson et al., 1994, Hakansson and Snehota, 1995).

Actors, resources and activities are considered the main three keys to determine a network structure (Easton, 1987, Hakansson, 2015). Briefly, actors such as organizations or individuals, are responsible for controlling resources and/or performing activities. Resources are managed by actors to enable them to perform activities. The last key factor is the activities that are managed by the actors, as well as by using certain resources to modify and change other resources in different ways (Axelsson and Easton, 2016). In other words, actors use certain resource to tie together their activities (Axelsson and Easton, 2016, Hakansson and Snehota, 1995).

Networks are considered a type of relationship that provides much shared information between the various parties that make up the network providing more investment in effort, time and trust that leads to more commitment in the future of this relationship (Johanson and Vahlne, 1992, Thorelli, 1986).

All firms in any network are related in a way to other actors, whether they are local or international. However, they have to have good coordination of activities in order to gain a better understanding of each other (Lindblom 1959). Networks share some characteristics as mentioned in Johanson and Mattsson 'the firm's activities in industrial markets are cumulative processes in which relationships are continually established, maintained, developed, and broken in order to give satisfactory, short-term economic returns, and to create positions in the network, securing the long-term survival and development of the firm' (1987: 3). Network ties have certain dimensions. Firstly the information and knowledge should be available to all network parties. Secondly, it is necessary to have good timing in acquiring and using this information and knowledge. Finally, information shared between networks should not only be at the right time but also in the right place (Burt, 1997). Network ties may be either strong or weak. They are strong when the network has tight interactions, while they are considered weak when the networks have low degrees of interactions (Granovetter, 1983).

An industrial network is fast becoming a key instrument for a firm's internationalisation. Welch and Welch (1996) present a conceptual model of the relationship between internationalisation and networks and argue that networks are the core of strategic management. Gonzalez-Alvarez and Solis-Rodriguez (2011) demonstrate the importance of social networks and internationalisation in Colombian high-tech SMEs and found that social networks make a difference in ensuring the success of SMEs in international markets. In addition, (Gonzalez-Alvarez and Solis-Rodriguez, 2011, Zhou et al., 2007) emphasise that social networks can result in more business opportunities. Moreover, social networks in the form of 'guanxi' can improve the knowledge of foreign market opportunities in Chinese SMEs.

Chu (2010) refers to the relationship between entrepreneurship and international networks that are considered to be the roots of a firm's competitive advantage, while Chen, Hu and Zhao (2009) state that entrepreneurial experience, local and international networks, governmental networks, and geographic location are core factors accelerating the development of Chinese firms.

As a result, network theories present a great development for the understanding of the internationalisation process by stressing how the actors in an enterprise influence its international expansion (Björkman and Forsgren, 2000, Yamin and Kurt, 2018). Therefore, firm internationalisation 'is not only assumed to be dependent on its own resources, activities and

experience but also on the resources, activities and experience of the actors in the network' (Lommelen, 2004: 153).

The network is considered international due to the degree of connectivity between the various network bodies in different countries (Johanson and Mattsson, 1987). In other words, DOI of the firm is associated with the number of international relationships created by the firm and the international networks to which it belongs (Mattsson and Johanson, 1993).

Many models are used to describe network theory, including the interaction model (Håkansson 1982), the actors, resources and activity model (ARA), Håkansson and Johanson 1992), and the network embeddedness model (Halinen and Tornroos 1998). However, there are two models that describe the network theory in relation to international theory: the Uppsala revised model (Johanson and Vahlne 2009) and the network-based internationalisation approach (Johanson and Mattson 1988).

Indeed, the Uppsala model of internationalisation bears a strong relationship to this study. As mentioned earlier, this study follows the stage model or the Uppsala model of internationalisation that are related to the first two parts of the study: entrepreneurial orientation and RBV. Likewise, the Uppsala model of internationalisation will be used as the main network theory for this study. Regarding our study of SME in the wood and furniture industry in emerging economies, we need to know the strength of networks such as social, international

and governmental networks regarding internationalisation. Therefore, the Uppsala revised model is suited to the investigation of these kinds of relationships. It tests the strength of the network relations by the knowledge and opportunities gained from them, and from the commitment and trust-building between the various parts of the network (Costa e Silva et al., 2012, Johanson and Vahlne 2009).

Internationalisation of firms is closely related to the networks and links they create. Zain and Ng discussed internationalisation network as: 'relationships between a firm's management team and employees with customers, suppliers, competitors, government agencies, distributors, bankers, families, friends, or any other party that enables it to internationalize its business activities' (Zain and Ng, 2006b: 184). Network theories argue that an enterprise's internationalisation is based on a large number of networks and links. In addition, they critically see internationalisation as a natural development from network links with foreign individuals and firms. Moreover, network links are considered as huge sources of knowledge and market information (Costa e Silva et al., 2012, Johanson and Mattsson, 1987, Johanson and Vahlne, 2009).

3.6.1 Social, Governmental, and International network

Network relationships can be seen as double-edged weapons. On one hand, network relations can facilitate international development by offering international opportunities (Costa e Silva

et al., 2012, Yamin and Kurt, 2018). On the other hand, the same network relations can be considered as constraints for the firm when dealing with limited networks by reducing any opportunities emanating from other networks (Homin Chen and Chen, 1998, Gulati, 1999).

Firms have many network connections but not all these connections hold the same importance and value level to the firm (Hakansson and Snehota, 1995). Therefore, firms should analyse each network connection and invest more in the valuable relations to enable them to grow and develop especially in the international markets. A single firm should know and understand their specific network combination, that is affected by and is dependent upon their environment, competitive position, internationalisation perspective etc. (Christopherson and Clark, 2007, Haibin Yang et al., 2010). Consequently, the study of the wood and furniture industry in Egypt makes use of a lot of network connections to facilitate the work and to enable firms to grow internationally (El-Kilany, 2014, El-Meehy, 2002, IMC, 2010). However, there are some network relationships that are more important and valuable than others that enable faster access and directly to international markets (El-Kilany, 2014).

Some academic literature and some official reports agree that network connections have a greater impact on the industry of wood and furniture, especially when emphasizing and investing more in the networks that are most valuable to their firm (EFEC, 2015, El-Meehy, 2002, IMC, 2010, Kusumawardhani, 2013b, Ratajczak-Mrozek and Herbeć, 2014). In addition,

the focus group of this study agrees that there are some network relations that are more useful and valuable to the industry of wood and furniture in Damietta (El-Kilany, 2014). As a result, three networks are considered more valuable to SMEs working in the wood and furniture industry in Damietta, Egypt, these are: the social network, the governmental network, and the international network (Abdallah et al., 2016, EFEC, 2015).

Social networks

Social networks play a vital role in the establishment and growth of SMEs (Jenssen, 2001). Social ties are very important to the Egyptian community as confirmed by some authors such as Eldefrawi when stating that 'The Egyptian traditions are basically based on close inter personal connections' (Eldefrawi, 2015: 281). Social networks have massive importance to any firm where the members of this network have the ability to collect and analyse useful knowledge and information that directly affects a firm's development and growth (Hansen, 1995, Welter and Kautonen, 2005). In addition, resources, especially the financial ones, are considered to be one of the biggest restrictions for SMEs. Therefore, strong social connections facilitate access to some of these resources (Jenssen, 2001, Welter and Kautonen, 2005).

The furniture industry in Damietta is mostly considered as a big cluster of family-run small businesses, even the medium and large furniture businesses in Egypt today began as, and may still be, a family business (IMC, 2010). Some of these family businesses consist of relatives or friends. However, these businesses depend solely on close and strong social connections and

avoid any weak connections. This is because these relationships depend on trust between network members and they only trust close family and friends (Dossenbach, 2011, IMC, 2010).

Nowadays, social media such as Facebook and Twitter have become the means to major network connections that enable many businesses to gain as much information, knowledge, and opportunities as possible (Kaplan and Haenlein, 2010). Therefore, social connections are vital to this study, to understand their relationship to the growth and development of international activities for these smaller businesses in this unique, traditional industry, such as the furniture industry in an Egyptian city that depends mostly on a network relationship zone to build and develop a business (Dossenbach, 2011, IMC, 2010).

Governmental network

Institutional networks are considered as vital actors in explaining and understanding entrepreneurship and SMEs at any country level (Aparicio et al., 2016). Many formal institutions could be institutional networks. These institutions could be governments, financial institutions, industrial unions, research institutions, R&D institutions etc. (Aparicio et al., 2016). In the Egyptian environment, all these institutional networks are important however, governmental agencies networks represent the most powerful and important network web with which firms must engage to gain access to some of these network connections to facilitate their

work locally or internationally (Abdallah et al., 2016, Dossenbach, 2011, Welter and Kautonen, 2005).

Governmental agencies' connections focus on a firm's interaction between organisations and institutions by exploring and recognising opportunities that give firms more chances to acquire more resources (Aparicio et al., 2016, Schwens et al., 2011).

The Egyptian government plays a significant role in its industrial sectors. It is mentioned in the report of the international labour organization in 2016 that 'The Government of Egypt has been allocating strong efforts to boost its industrial development through the Egyptian Industrial Development Strategy (2005-2025). The main goal of the EIDS is to sustain growth and provide employment through a significant increase in domestic investment' (Abdallah et al., 2016: 36).

Regarding the wood and furniture industry in this study, we found that many governmental institutions in Egypt are aimed to support this industry, specifically, they give more care to smaller firms because they represent the majority of firms in this industry (Abdallah et al., 2016, Dossenbach, 2011). The majority of these networks are considered to be official public institutions in Egypt and are considered as governmental institutions or have some relationship with them. Some agencies work under direction from the Ministry of Industry in Egypt who gives enormous assistance and support to industrial firms to enable them to grow locally or

internationally (El-Meehy, 2002). Some of these governmental networks will be briefly discussed in the following table.

Table 3-3: Some important governmental networks in Egypt

The institution	Main descriptions
The Egyptian Industrial Development Strategy (EIDS)	As mentioned earlier, this is the main institute in Egypt which responsible for drawing on a great industrial strategy for twenty years from 2005 till 2025 and these strategies are put under governmental control centrally to ensure it archives its national goals.
Industrial Modernization Centre (IMC)	This institution is considered as an essential part of the EIDS. The purpose of this association is to facilitate funds for some specific firms' activities such as entrepreneurs and workers training, R&D, quality activities, technology transfer, and internationalisation activities (funding international strategies, market research, international marketing, etc.).
The Furniture Technology Centre (FTC)	This institution was established by the Egyptian Ministry of Industry in two main industrial cities in Egypt, 10th of Ramadan and Damietta city. The main purpose is to assist SMEs working in the furniture industry and give them all support to increase

	their international competitiveness. In addition, they provide advanced training courses, technology transfer, and consultant advice to the wood and furniture industry. Finally, they create a vital databank for the wood and furniture industry including raw materials, new technologies, and parts and accessories.
The Egyptian Organization for Standardization and Quality (EOSQ)	This is the main institution in Egypt that is responsible for monitoring and controlling products of industrial firms to ensure that they follow international standards.
The Association for Upgrading the Furniture Sector in Damietta (AUFSD).	This institution was established in 2003 in Damietta. The purpose of this association is to improve the industrial environment in Damietta, especially for the furniture sector by offering training courses and helping to market their products.

Source: adapted from (Abdallah et al., 2016, Rachid, 2006)

All the government agencies and networks are considered to be very important players in the Egyptian industrial environment (Rachid, 2006). Therefore, the wood and furniture firms in Egypt should have a relationship and connect with these governmental networks to facilitate their international access and international development.

International networks

International networks encompass any network that has international connections with an industrial firm. Which is defined as: ‘ relationships between a firm’s management team and employees with customers, suppliers, competitors, government agencies, distributors, bankers, families, friends, or any other party that enables it to internationalize its business activities’ (Zain and Ng, 2006b: 184). Furthermore, international networks mean that any activities that facilitate business activities locally or internationally to increase the international opportunities and to reduce the international barriers (Abdallah et al., 2016, Szyliowicz and Galvin, 2010). Network theories contribute to clarifying the internationalisation process by highlighting the connections between firms’ network actors and the international network actors to facilitate firms’ expansion abroad (Björkman and Forsgren, 1997, 2000). So, internationalisation for firms is not only dependent on their own firm’s network resources but also on their international network resources to enable firms to develop and grow internationally (Benito and Welch, 1994).

The process of developing a firm’s international network is dependent on either establishing new foreign connections to the firm, or to reorienting old international relationships (Jackson and Cooper, 1988, Johanson and Mattsson, 2015). In other words, Lommelen mentioned in his study that ‘the process of internationalization is considered as a process of getting access to and/or developing relationships in foreign networks by using the current position that an

organization has, due to its history of specific relationships with other companies, for the exchange of resources' (Lommelen, 2004: 153).

A firm's degree of internationalisation has an essential relationship to a firm's networks in general and international networks specifically (Madsen and Servais, 1997, Oviatt and McDougall, 1997). Firm networks could be considered as less or more international depending on the degree of connections between the firm and the networks in foreign countries (Johanson and Mattsson, 2015, Mattsson and Johanson, 1993). In addition, these firms' networks and degree of internationalisation are dependent on not only the number of international networks but also in the value and the strength of these networks (Johanson and Mattsson, 2015).

In our study, international networks are considered to be vital to the strength and development of the international connections in the study of the wood and furniture industry in Egypt. Indeed, this industry in Egypt is still following the traditional way of internationalisation, that is the stage model of internationalisation, by acquiring more experience first and then increasing the firm's internationalisation (Abdallah et al., 2016, Johanson and Vahlne, 2009).

3.6.2 Criticisms of Network theory

Network theory makes a promising contribution to international business studies (Björkman and Forsgren, 2000). However, understanding the relationship between a firm's network and

its internationalisation is still quite vague because of some general problems as will be subsequently discussed (Arvid Andersson and Helander, 2009, Björkman and Forsgren, 2000).

Due to the nature of a firm's network, it may have too many interconnecting relationships making it quite difficult to comprehend the behaviour of each actor. Therefore, there are some limitations to drawing conclusions of internationalisation and network patterns (Anderson et al., 1994). In addition, networks are not static. They are always moving and changing from time to time and from one place to another. Therefore, each network is different due to the network environment such as the type of industry, members of the network, number of interconnected actors, and the number of available opportunities (Alajoutsijärvi et al., 2001, Coviello and Munro, 1997).

As a conclusion, to get a better understanding of a firm's network, this study will discuss network theory with other theories such as the international entrepreneurship theory and the RBV theory. Therefore, Lommelen confirms this point by mentioning that 'we believe that the industrial network view should be used as a complementary approach next to other internationalization theories because the awareness that actors are interconnected in numerous ways through a variety of relationships should be taken into account when studying internationalization processes' (Lommelen, 2004: 157).

3.7 SMEs and performance

Performance can be defined as the results or the outcomes of a firm's activities for a given period (Majocchi and Zucchella, 2003). In other words, performance is the accomplishment of specified business objectives. Indeed, the relationship between internationalisation and firm performance has been widely explored in the literature, mostly with regards to large enterprises, rather than SMEs (Engelen et al., 2015, Majocchi and Zucchella, 2003).

A range of studies have mentioned that SMEs are not simply smaller versions of large enterprises; major structural and operational differences in resources, ownership and organisational structures mean that the rule of large enterprises cannot be transposed to SMEs (Majocchi and Zucchella, 2003). More studies are thus required in this area, because the majority of business research is concerned with large corporations, ignoring the important role of SMEs in the global economy (Jane Lu and Beamish, 2006, Oviatt and McDougall, 1994).

The concept of company performance has been used widely in previous literature, with much research in areas such as SMEs, MNEs, internationalisation, entrepreneurship, marketing, network and entry strategies (El-Gohary et al., 2013, Kotler, 2000, Lei Li, 2007, Mahmood and Hanafi, 2013b). Company performance could be understood as the measure of improvement of a firm (Covin and Miller, 2014, Westhead and Storey, 1996). Indeed, firm performance is

considered as a multi-dimensional construct (Naman and Slevin, 1993). Multiple measures have been supported by social science scholars to evaluate performance.

However, there is no agreement about appropriate measures of performance (Rauch et al., 2009, Wiklund and Shepherd, 2003a). As mentioned in the performance definition, measurement is an essential part of company performance. There are two main categories of firm performance measurement: financial and non-financial (Knight, 2000, Kusumawardhani, 2013a, Wiklund and Shepherd, 2003a).

However, many scholars outline that performance can be expressed in its simplest and most commonly used meaning by profitability ratios, such as return on assets (ROA), return on equity (ROE) and return on sales (ROS) (Abraham and Adams, 2017, Balan and Lindsay, 2010, Ruigrok and Wagner, 2004, Schwens et al., 2018). These ratios are widely used in international business literature because they can be straightforwardly extracted from common-size financial statements and compared in cross-country surveys (Lee et al., 2001, Wiklund and Shepherd, 2003a). In addition, other non-financial measurements, such as customer satisfaction, attracting new customers and employee turnover have been suggested to measure performance (Kotler, 2000, Machirori, 2012).

However, in this study, we are dealing with smaller firms, with additional challenges, especially in calculating a performance measurement. Many studies recommend growth and financial increases to measure firm performance (Abraham and Adams, 2017, Kirca et al., 2011, Michel and Shaked, 1986). They argue that these types of measurements are recognized as objective measurements, which are more appropriate than subjective measurements when assessing firm performance (Wiklund and Shepherd, 2003a).

However, it is a very difficult process to collect objective data from smaller firms. This is because most small business owners are unwilling to release such types of information to outsiders (Bloodgood et al., 1996, Sapienza et al., 2006). Consequently, we will ask about some financial data using the perceptions of the owner/managers of the SMEs. For instance, when enquiring about the ratio of the ROI, ROS, and ROA, this will be structured in an indirect way, by asking about the average of each ratio using 5-point Likert scale items (Mazumder, 2012, Moorthy et al., 2012, Rehman, 2012). Therefore, a subjective approach is considered most appropriate for this study when measuring firm performance of the wood and furniture industry in Damietta, Egypt (He et al., 2010, IMC, 2010).

3.8 Critical links between the Uppsala model and the study theories

Critically there is a strong relationship between the Uppsala model and the theories of international entrepreneurship, the resource-based view and the network theory (Andersén,

2010, Dhanaraj and Beamish, 2003, Johanson and Vahlne, 2009). In the study of Wach and Wehrman in 2014, they state that a modern internationalisation theory should be seen as holistically interpreted models from different theories. As clarified in Figure: 3.5 that firm internationalisation could be critically viewed from the Uppsala model through RBV, the network approach, the business strategy approach, and the international entrepreneurship approach (Wach and Wehrman, 2014).

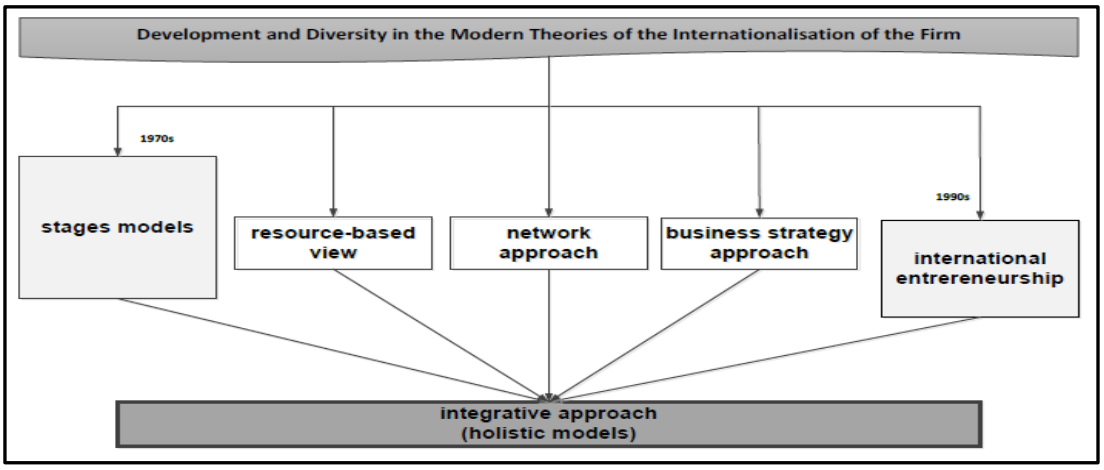


Figure 3-5: Timeline integrated theories of internationalisation

In Wach and Wehrman's study, they look at internationalisation of the firm as a holistic model to get as many relationships and opportunities as possible to enrich the internationalisation literature (Wach and Wehrman, 2014). Additionally, a similar perspective has been discussed by Lommelen in his study when mentioning that 'Recent studies that include the Uppsala model as part of the theoretical foundation rarely refer to these two clarifications. However, we believe

that important opportunities are missed in the sense that studies based on the Uppsala model would have been richer if the network, resource-based and organizational learning concepts had been explicitly incorporated' (2004: 121). From the same perspective, our study is looking to a firm's internationalisation from the Uppsala point of view and its relationship to three related theories: international entrepreneurship, RBV, and a firm's network. Therefore, the following figure briefly illustrates some types of important relationships between the Uppsala model and the main theories of this study.

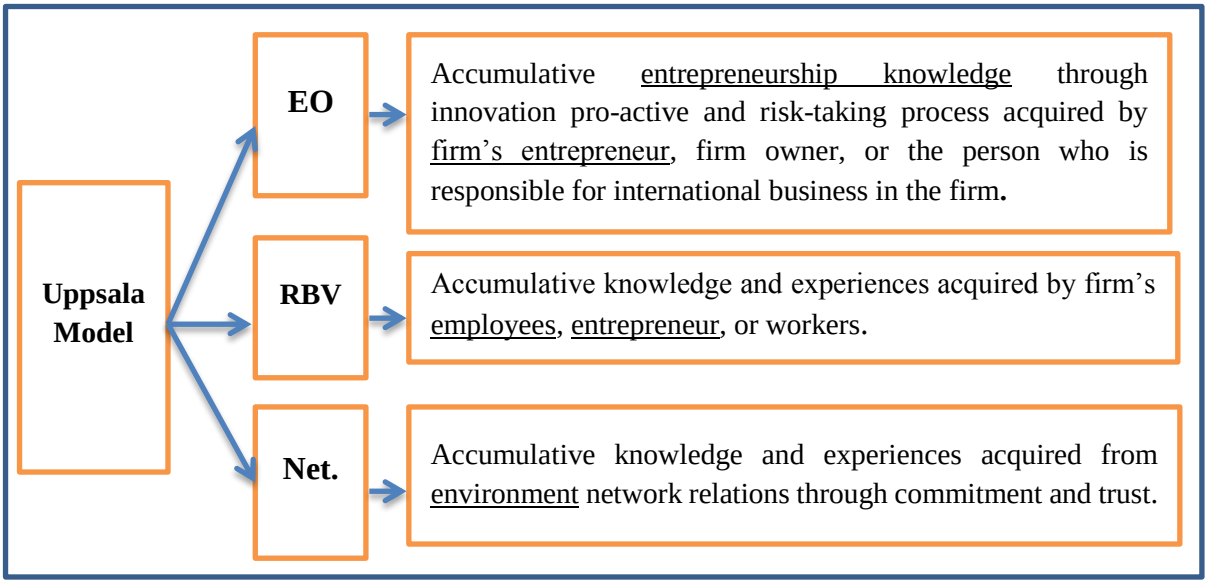


Figure 3-6: The relationship between the Uppsala model and the study theories

3.8.1 The relationship between the Uppsala model and entrepreneur orientations approach

The relationship between the Uppsala model and entrepreneur orientations approach is considered to be very important to the study of the furniture industry in Egypt (Dossenbach,

2011, EFEC, 2015). To discuss this relationship, we should indicate that firm entrepreneurs are considered as the key to the internationalisation process especially for traditional industries in less developed countries (Covin and Miller, 2011, Isaga, 2012). Therefore, internationalisation in this study is considered as an entrepreneurial act (Taylor, 2013, Zahra, 2005). According to McDougall and Oviatt, internationalisation behaviour could be described as entrepreneurial through its three dimensions: innovativeness, pro-activeness, and risk-taking (Covin and Slevin, 1991, McDougall and Oviatt, 2000, Schwens et al., 2018, Shan et al., 2016). While Sapienza et al. (2006) described internationalisation as an entrepreneurial strategic choice. Therefore, some scholars concluded that better internationalisation performance of SMEs always works for SMEs with a high EO than SMEs with low EO (Mostafa et al., 2005, Taylor, 2013, Yeoh and Jeong, 1995).

In addition, Wiklund and Shepherd (2003b) also confirmed the positive relationship between a firm's performance and EO. This relationship is assisting firms in seeking out new opportunities and looking to expand operations in international markets. Therefore, this study has significance, by highlighting the opportunities of EO and international performance in emerging economies, as in Egypt, not only for MNEs as focused in many previous studies, but also in SMEs as one of their key economic factors.

Critically, in this study, EO is closely related to the internationalisation concept in general and to the Uppsala model in particular. Indeed, the Uppsala model of internationalisation is following the idea of acquiring more knowledge locally first to be able to enter the international market. To study the wood and furniture industry in Egypt, it is found that most entrepreneurs in this industry are following the same sequence of Uppsala steps in EO (Abdallah et al., 2016, El-Kilany, 2014, El-Meehy, 2002, Ng and Kanagasundaram, 2017). Consequently, there are some similarities between the gradual process to access international markets and the three dimensions of EO. Therefore, most SMEs in the wood and furniture industry in our study are gradual entrants to the international markets by acquiring more time and experience in the local market allowing them to increase their ability to 'innovate' (as one dimension of EO). As a result of this step, the entrepreneurs will have more ability to adopt more of the international market environment and have the ability to get more the international market opportunities (as a proactive dimension of EO). Finally, as the last step, entrepreneurs in this study acquire more experience to afford more risk to enter onto the international markets (as a risk-taking dimension of EO).

3.8.2 The relationship between the Uppsala model and RBV

The relationship between the Uppsala model and RBV is considered to be very supportive by this study. As mentioned earlier that RBV presents a further perspective to enrich the internationalisation theory especially to the Uppsala model (Lommelen, 2004). The Uppsala

model depends mainly on firm market knowledge and market commitment (Johanson and Vahlne, 1977). Indeed, one of the core parts of the Uppsala model is resource commitment and the effective use of this to facilitate a firm's internationalisation decisions. Therefore, the core driver of the Uppsala model is the ability to gain a huge stock of knowledge from the international market which will directly affect the amount and the type of resources needed to commit to the internationalisation process (Lommelen, 2004, Vahlne and Johanson, 2013). In the study of the wood and furniture industry in Egypt, the exploratory study for this topic and other governmental researchers found that the entrepreneur experience and human resource are very important resource for this industry in Egypt (Abdallah et al., 2016, EFEC, 2015, IMC, 2010).

Entrepreneur experience has a very close relationship with the Uppsala model because experience and knowledge are considered as a cornerstone in this model (Johanson and Vahlne, 2009, Zucchella and Magnani, 2016). Most of the entrepreneurs in the industry of wood and furniture in Egypt prefer to avoid big risks, especially in international markets (El-Meehy, 2002). Therefore, they prefer to acquire as much experience as possible from local markets, or from close international markets, to be able to build a solid knowledge to access heavily international business. As a result of the previous idea, it is clear that the wood industry in Egypt is following Uppsala model of internationalisation (Johanson and Vahlne, 2009, Vahlne and Johanson, 2017a).

Regarding HC and the Uppsala model, it is found that human resource in the wood industry in Egypt is considered as one of the most vital resources to this industry (El-Meehy, 2002). The core of the Uppsala model of internationalisation is the increasing market knowledge and experience that will increase market commitment and, consequently, this process will depend mainly on the most valuable strategic resources available for the firm (Johanson and Vahlne, 2009, Mahoney and Pandian, 1992, Vahlne and Johanson, 2017a).

In the study of the wood industry in Egypt, especially in Damietta, human resource is considered the most significant resource for this industry because they have the skills, talents, and relatively low labour cost (El-Kilany, 2014, El-Meehy, 2002, IMC, 2010). This idea is confirmed by El-Meehy when he mentioned that 'Labour, especially skilled labour, is considered by many to be the main competitive advantage the industry has. For years, if not decades, Damietta was famous for its craftsmanship In addition, the labour costs in Egypt are still relatively low compared to other countries' (2002: 12). In addition, this idea is supported in another study by confirming the high importance of human resource in Damietta's furniture industry (Breschi and Lissoni, 2001, El-Kilany, 2014). According to El-kilany in his study, he confirmed that:

> 'the skills in Damietta are accumulated and transmitted from one generation to another, the process of knowledge accumulation and collective learning supports local innovation capacity, moreover the high rate of labour mobility enhanced the

> knowledge spill over in the district. This process of collective learning of knowledge becomes a collective process in the district, based on common knowledge accumulated in labour' (2014:77).

Resulting from the previous literature, it is clear that there is a great connection between human resource in Damietta and the Uppsala model of internationalisation (Abdallah et al., 2016, El-Kilany, 2014, El-Meehy, 2002). Indeed, the Uppsala model of internationalisation is interested in acquiring market knowledge and market commitment by investing in firms' strategic resources to access international markets. Thus, HC is considered as one of the most valuable strategic resources of the wood and furniture industry in Damietta. This type of resource itself plays a very important role in the Uppsala model. In other words, HC as a firm's strategic resource is considered a very good conductor of transferring market knowledge and experience to enable a firm to access international markets. The knowledge and experience is transferring within the same generation of the firm, or being transferred between old generations to the most recent generations, which are normally transferring the accumulated knowledge and experience from old or less educated parents to local young and more educated generations (El-Kilany, 2014).

3.8.3 The relationship between the Uppsala model and the network theory

The relationship between the Uppsala model and the network theory is considered a very unique and crucial relationship to this study that is for two reasons:

The first reason is that a firm's network is considered as a major part of the Uppsala revised model of internationalisation, which is being considered as the main theory of this study (Forsgren, 2002, Vahlne and Johanson, 2014, 2017). As previously mentioned, it is important to realize that the original model of Uppsala did not give firm network much interest, but in the revised model of Uppsala, a network is considered a cornerstone (Johanson and Vahlne, 1990, 2009).

In addition, Welch and Welch emphasized that knowledge and experience are always created and maintained through firms' network actors, therefore, firm networks are considered a very important source of information, experience and knowledge for firms' internationalisation (Welch and Welch, 1996). Consequently, a firm's network is considered as one of the important and basic pillars of this study.

The second reason is that there is some similarity between the philosophy of the Uppsala model and the network in this study (Forsgren, 2016, Yamin and Kurt, 2018). As is clearly shown in the table (3.4) that the philosophy of the Uppsala model deals with internationalisation as a gradual process. Critically, the same idea of Uppsala is working with network relationships in

this study (Vahlne and Johanson, 2017, Yamin and Kurt, 2018). Notably, as mentioned earlier that the wood and furniture industry, especially in Damietta, is following the Uppsala model by avoiding or decreasing risks and gradually accessing international markets. With the same philosophy as Uppsala, networks in this study depend on three kinds of networks. These networks gradually help firms to access international markets. In the first stage, the firms are dependent on the informal network to gain as much knowledge and experience as possible. These network relationships are mainly from family members, close friends, and very close persons. Therefore, this study depends on social networks in the first stage.

Table 3-4: The similarity scale between Uppsala model and network in this study

Stages	**Stage 1**	**Stage 2**	**Stage 3**
Uppsala model	Experience from local market	Experience from close countries	Experience from international countries
Network in this study	Informal network from 'Social Network'	Formal network from 'Governmental Network'	International relations from 'International Network"

While in the second stage, firms are beginning to have confidence to access the international market from the countries nearest to them in culture and the geographical region. The same happens in the network situation, firms will have some knowledge from their social network, which enables them to have some opportunities to access and understand some formal networks,

which are mainly governmental networks, or have very close relations to government connections. These governmental networks offer some international opportunities such as: running, promoting, and participating in some international exhibitions. In addition, some agencies give financial and marketing support, especially for SMEs, because they have fewer resources than large firms. Finally in the third stage, firms have become more expert in the international markets. In other words, firms will have enough knowledge and experience from network relations gained from informal and formal networks to access the international market an a very large scale.

3.8.4 The relationship between DOI (from an Uppsala respective) and firm performance

Finally, the relationship between DOI (from an Uppsala respective) and firm performance:

The relationship between (DOI) and firm performance is considered as a cornerstone of this study (Brida et al., 2016, López-Morales and Gómez-Casas, 2014). It should be clear that the DOI in this topic is seen from the perspective of the Uppsala model of internationalisation. That is because, as discussed earlier, the nature of this study is following the traditional theory of a stage model of internationalisation.

Over the last three decades, there has been a rapid interest in the relationship between (DOI) and a firm's performance, in international business literature (Akaike, 1987, Browne and Cudeck, 1989, Kirca et al., 2011, Lei Li, 2007). However, there is a lack of agreement about

the relationship between the DOI and firm performance. There is still a big debate waging amongst scholars about the nature of the link between them (Akaike, 1987, Altaf and Shah, 2015, Colpan, 2008). In general, there are two main assumptions of this relationship. Some scholars find a linear and positive effect between the DOI and firm performance such as Kirca et al. (2011), Wen-Ting Lin et al. (2011), Pangarkar (2008), Qian (1998), Daniels and Bracker (1989), and Grant (1987). While on the other hand, some scholars find that DOI has some negative effects on firm performance such as Colpan (2008), (Ang, 2007), Thomas and Eden, (2004) , Collins (1990), and Siddharthan and Lall (1982).

The first assumption, the positive relationship between DOI and performance, is arguably that the higher DOI is the lead to a higher performance of a firm (Akaike, 1987, Daniels and Bracker, 1989). The supporters of this assumption argue that there is a linear, positive relationship between the two variables, which leads to some benefits and opportunities such as: firstly, the ability to exploit market imperfections by using enterprise assets, especially the intangible ones in the new international markets (Jane Lu and Beamish, 2006, Rugman and Hoon Oh, 2011). Secondly, the ability to reach cheaper input such as capital, materials, or labour from the different markets in which the enterprises are operating (Akaike, 1987, Jane Lu and Beamish, 2006). Thirdly, increasing the firm's market power over its internal and external parties such as distributors, suppliers, and customers (Akaike, 1987, Browne and Cudeck, 1989, Jane Lu and Beamish, 2006). Fourthly, the reinforcement of an enterprise's knowledge and innovation is

through a long process of learning and experience from different markets. This accumulative experience is considered a very important aspect for internationalisation in the long term (Contractor et al., 2003, Johanson and Vahlne, 1977, Zahra et al., 2000). Fifthly, the ability of diversifying the firm's risks when operating in a different market with different political and economic countries. In addition, it gives the firm more ability to realising the scale and scope of global economies (Ainuddin et al., 2007, Akaike, 1987, Jane Lu and Beamish, 2006).

The second assumption, this is the negative relationship between DOI and performance, and can be argued that the more DOI leads to more market costs and risks, which have a negative impact on a firm's performance (Bausch and Krist, 2007, Collins, 1990, Colpan, 2008). Therefore, the scholars who support these assumptions emphasise some of the costs and risks of this relationship such as: first, the difference in culture is considered one of the main problems in international markets, and which needs a high cost of adaption (Akaike, 1987, Ghoshal and Bartlett, 1990). Second, the coordination cost is increased and becomes more complicated between the headquarters and the managers in offices in international markets (Denis et al., 2002, Dhanaraj and Beamish, 2003, Jane Lu and Beamish, 2006). Third, MNEs do not have high flexibility to minimise unsystematic risk in the international markets (Hennart, 2007).

However, every single study bases its different criteria to judge, such as using the industry type, the firm's size, the country's characteristics etc., (El-Gohary, 2009, Kusumawardhani, 2013b).

Therefore, this study aims to understand the relationship between the DOI and the firm's performance, which is considered to be one of a very limited research group in this industry in this region (EFEC, 2015, El-Kilany, 2014, El-Meehy, 2002). Given the above, the main aim for this study is to try to understand this phenomenon by understanding the relationship between the DOI from the Uppsala point of view and how SMEs performance works in the furniture industry in emerging countries such as Egypt.

3.9 Chapter summary.

This chapter has reviewed the literature on internationalisation of SMEs by critically discussing a general background of internationalisation theories and models. Generally, there are two paths of internationalisation theories, which are the traditional and the rapid internationalisation models. In the study of the wood and furniture industry in Damietta, the traditional stage model of internationalisation is followed in the main. Therefore, the Uppsala model of internationalisation is considered to be the main internationalisation theory of this study.

Indeed, there is no single model or theory can give a very clear understanding of internationalisation of SMEs especially in emerging and less developed countries like Egypt. Consequently, this study integrated three theories to try to understand the performance of internationalisation on SMEs in this specific industry in this particular region. The theories of

international entrepreneurship, RBV, and the network theory were the main theories of this study under the umbrella of the Uppsala model of internationalisation.

The next chapter will offer more clarification about the three theories of this study and their relationship with internationalisation and SMEs' performance. Therefore, the following chapter will introduce the research framework of the study and its relationship to the research hypotheses.

CHAPTER 4: RESEARCH FRAMEWORK

4.1 Introduction

The previous chapter discussed the internationalisation of SMEs literature in relation to the firm performance of the industry of wood and furniture. This study is following the Uppsala model of internationalisation because most firms in this industry, in this region, prefer to gradually access international markets.

The aim of this chapter is the result of discussions of prior studies in Chapter Three; it is clear that there is a significant need for more research in the area of SMEs internationalisation, especially that which integrates more than one theory, such as international entrepreneurship, RBV, and the network approach. Therefore, this chapter is structured by starting to discuss the main research framework of this study, followed by discussing the main research hypotheses of this study and its measures.

4.2 Research framework

Figure 4.1 presents the proposed research framework of the study. The constructs in this framework were developed and adapted from previous literature reviews, as discussed in Chapter Three. Additionally, these variables have been critically discussed and reviewed in a focus group, which comprised academics, entrepreneurs, and international business experts.

The participants in this focus group shared their knowledge and understanding of the economic environment in Egypt, especially in relation to SMEs in the wood and furniture industry. Indeed, 'a conceptual framework is a structure of concepts and/or theories which are pulled together as a map for the study' (Elshaer, 2012: 40). Moreover, the conceptual framework is also to explain and clarify the research questions or hypotheses of the study (Collis and Hussey, 2013, Punch, 2013). Therefore, the purpose of this study's conceptual framework is to clarify the main study relationships and links (Collis and Hussey, 2013).

The proposed framework discusses the link between the variables (the degree of internationalisation and SMEs' performance). The study framework figure is initially categorised into three parts. The first part from the left presents the three main theories of this study. The first theory is that of international entrepreneurship theory (IET) that mainly focuses on internal entrepreneurial orientation (IEO). It is followed by the Resource Based View theory (RBV) and the main focus is on Entrepreneurial International Experience (EIE) and Human Capital (HC). The last theory is the network theory (NT) with a principle focus on Social Networks (SN), Governmental Networks (GN), and International Networks (IN). The second part of the study framework presents the degree of internationalisation (DOI) and the third part presents the SMEs performance. All these directions, relations and links are discussed in the following sections through the perspective of the research hypotheses.

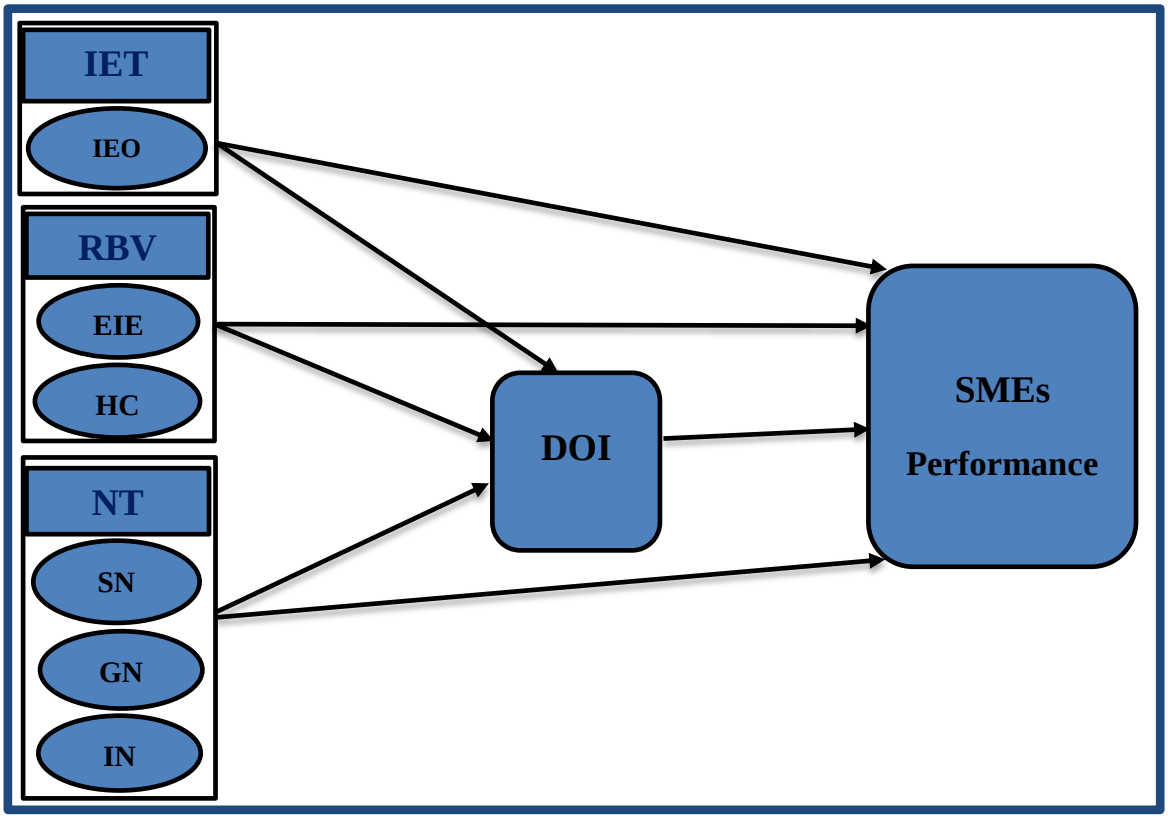


Figure 4-1: Research framework

4.3 Research hypotheses

This research study essentially tests the research hypotheses formulated and based on the research questions (Table 4.1).

Table 4-1: Research hypotheses

H1: There is no direct effect between the Degree of Internationalisation and International Entrepreneurial Orientation, Entrepreneurial International Experience, Human Capital, the Social Network, the Governmental Network, and the International Network.

H2: There is no direct effect between SMEs' Performance and the Degree of Internationalisation.

H3: There is no indirect effect between SMEs' Performance and International Entrepreneurial Orientation, Entrepreneurial International Experience, Human Capital, the Social Network, the Governmental Network. and the International Network.

The research hypotheses in this chapter deal with some important and specific issues, namely, to clarify the relationship between the research framework and the related hypotheses in the literature, and to clarify the relationship between the applied research measurements and the related research hypotheses.

To gain meaningful results, it was very important to design and represent the following part in a way to make it clearer to understand and less repetitive. In this particular section, the hypotheses **H1** and **H3** will be discussed through the following pairs (**H1A with H3A), (H1B with H3B), (H1C with H3C), (H1D with H3D), (H1E with H3E**), and finally **(H1F with H3F).** That is because H1 and H3 are considered as the two main group hypotheses of this study. H1 concerns the relationship between the DOI and the independent variables of this study while H3 is concerned with the relationship between the SMEs' performance and the

independent variables of this study. Table 4.2 describes H1 and H3 and their sub-hypotheses relationships.

Table 4-2: Hypotheses H1 and H3 Discretion

Research Hypotheses	Discretion
International Entrepreneurial Orientation (IEO)	
H1A	There is no direct effect between the DOI and International Entrepreneurial Orientation.
H3A	There is no indirect effect between SMEs' Performance and International Entrepreneurial Orientation.
Resource-Based View theory (RBV)	
H1B	There is no direct effect between the DOI and Entrepreneurial International Experience.
H3B	There is no indirect effect between SMEs' Performance and Entrepreneurial International Experience.
H1C	There is no direct effect between the DOI and Human Capital.
H3C	There is no indirect effect between SMEs' Performance and Human Capital.
Network Theory	
H1D	There is no direct effect between the DOI and Social Network.
H3D	There is no indirect effect between SMEs' Performance and Social Network.
H1E	There is no direct effect between the DOI and Governmental Network.
H3E	There is no indirect effect between SMEs' Performance and Governmental Network.
H1F	There is no direct effect between the DOI and International Network.
H3F	There is no indirect effect between SMEs' Performance and International Network.

After discussing all the relationships between H1 and H3 with the independent variables of this study then hypothesis H2 will be discussed in the following sections of this chapter.

4.3.1 Identify hypotheses related to (IEO):

Two main hypotheses are related to (IEO) which are 'H1A and H3A'. Figure 4.2 discusses the relationship between IET, as the first theoretical part, with DOI and SME performance. This figure clearly represents two main assumptions, the first one indicates the assumption of the direct relationship between International Entrepreneurial Orientation (IEO) and the Degree of Internationalisation (DOI), which appears in (H1A), while, the second one is indicating the assumption of the indirect relationship between (IEO) and SMEs' performance (H3A).

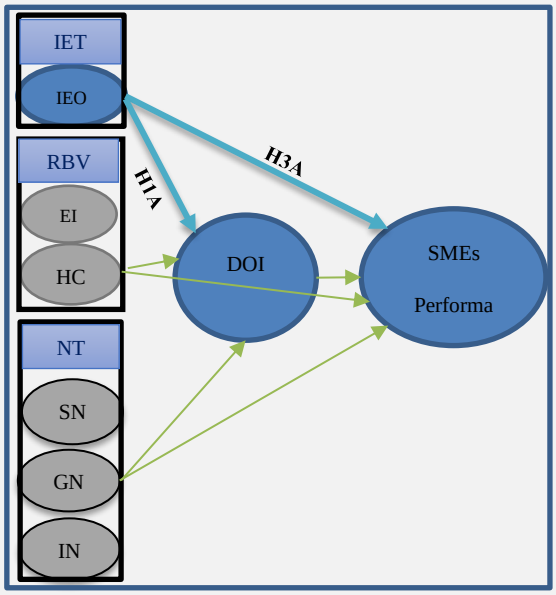
Research hypotheses	Research hypotheses in the framework
H1A: There is no direct effect between the Degree of Internationalisation and International Entrepreneurial Orientation. **H3A:** There is no indirect effect between SMEs' performance and International Entrepreneurial Orientation.	

Figure 4-2: Identify H1A and H3A

It is shown that EO is strongly linked to the degree of internationalisation. In addition, EO has the benefit of support and accelerates international expansion (Covin and Miller, 2011, Javalgi and Todd, 2011, Danny Miller, 1983, Schwens et al., 2018, Zahra and George, 2002). In addition, Javalgi and Todd mentioned in their study that:

> *'The importance of the significant relationship between entrepreneurial orientation and degree of internationalization suggests that top management must foster entrepreneurial culture and international mind-set throughout the organization' (2011: 1009).*

On the other hand, EO also has a very significant relationship with firm performance. This relationship has been drawn as having a significant implication within strategic management and firm performance (Covin and Miller, 2011, Covin and Slevin, 1989, Schwens et al., 2018). Three important dimensions have been designed to present entrepreneurial orientation: innovativeness, pro-activeness, and risk taking (originally proposed by Danny Miller (1983). To confirm the meaning, Covin and Miller stated that: 'Three dimensions most frequently used to describe entrepreneurial orientation are innovativeness, pro-activeness, and risk-taking' (2011: 1006).

4.3.1.1 Measurers related to (IEO) hypotheses:

The measurers of EO have been mainly dependent on Covin and Slevin (1989). They developed the EO scale measurements based on the early research of Khandwalla (1976) and Danny Miller and Friesen (1982). EO Measurements, according to Covin and Slevin (1989), are considered as one of the most popular EO measurements (Covin and Slevin, 1991, Lumpkin and Dess, 1996, Runyan et al., 2008). The following Table 4.2 illustrates that the nine EO measures' focus on innovation, pro-activeness, and risk taking.

Table 4-3: EO Measurements according to Covin and Slevin (1989)

Latent Factor of EO	**Scale Alphas**	**Measurement Items**	
Innovativeness	0.606	Favour a strong emphasis on the marketing of tried and tested products or services.	OR A strong emphasis on R&D, technological leadership and innovation.
		Has introduced no new lines of products or services.	OR Very many new lines of products or services.
		Changes in product or service lines have been mostly of a minor nature.	OR Changes in product or service lines have been quite dramatic.
Proactiveness	0.576	Typically responds to actions which competitors initiate.	OR Typically initiates actions which competitors then respond
		Is seldom the first business to introduce new products/services, administrative techniques, operating technologies, etc.	OR Is very often the first to introduce new products/ services, administrative techniques, operating, technologies, etc.
		Typically seeks to avoid competitive clashes, preferring a "live-and-let-live" posture.	OR Typically adopts a very competitive, "undo-the-competitors" posture.

Risk Taking	0.608	Strongly favours low-risk projects (with normal and certain rates of return).	OR Strongly favours high risk projects (with chances of very high return).
		Believe that owing to the nature of the environment, it is best to explore gradually via timid, incremental behaviour of firm's objectives.	OR Believe that owing to the nature of the environment, bold, wide-ranging acts are necessary to achieve my firm's objectives.
		Typically adopt a cautious, "wait-and-see" posture in order to minimize the probability of making costly decisions.	OR Typically adopt a bold, aggressive posture in order to maximize the probability of exploiting potential opportunities.

Source: (Covin and Slevin, 1989, Runyan et al., 2008:574)

The Measurements by Covin and Slevin (1989) have been widely used by EO researchers. The EO measured questions have faced some modification in some research, measured to cope with the differences in each research case. The following table illustrates the EO measurements as adapted from Covin and Slevin (1989), but in simplified way to make them more suitable to the research questionnaire.

The main research concern of study of Mahmood and Hanafi (2013b) was the relationship between entrepreneurial orientation and the performance of women-owned SMEs in Malaysia. They measured EO by presenting a modified or simplified version of the measurements of Covin and Slevin. This table represents EO measured with Cronbach Alpha values. The Alpha values were between 0.6 and 0.8, which were totally accepted by Hair et al. (1998). Therefore,

Mahmood and Hanafi (2013b) stated: 'Thus this indicates that the variables were internally consistent and the scales deemed reliable for further analyses' (2013b:89).

Table 4.3: EO Measurements according to (Mahmood and Hanafi, 2013b)

Entrepreneurial orientation	***Cronbach Alpha values***
For the last 3 years our firm has produced many new products/services	0.688
In general, our firm is very often the first to introduce new products/services	0.801
Facing competition, our firm normally engages aggressive action over the competitors	0.696
In general, our firm adopts a very competitive posture to beat the competitors	0.668
In general, our firm has a strong emphasis on high risk projects with uncertain returns	0.614
In order to achieve the firm's objectives, the impact of the business environment compels our firm to adopt strong and fearless measures	0.778
In case of insecure decision-making situations, our firm adopts a fearless and aggressive position to increase the chance of exploiting potential opportunities	0.668
The changes in new products/services in our firm are quite dramatic	0.796

Thus, innovativeness, pro-activeness, and risk-taking are the EO measures widely accepted in prior literature (Covin and Slevin, 1989, 1991, Lumpkin and Dess, 1996, Runyan et al., 2008, Zahra and George, 2002). Therefore, the IEO measures are dependent mainly on previous studies conducted by Covin and Slevin (1989), Lumpkin and Dess (1996) and Mahmood and Hanafi (2013b).

The measured EO was slightly modified to meet the internationalisation approach. Covin and Miller (2011), argued that 'Notably, both EO constructs are implicit in definitions of IEO offered by IE scholars' (Covin and Miller, 2011:13). Even the defintion of IEO is very close to EO but from the internationalisation perspective (Cavusgil et al., 2008). Freeman and Cavusgil (2007:3) asserted that 'International entrepreneurial orientation refers to the behavior elements of global orientation and captures the top management's propensity for risk taking, innovativeness, and proactiveness'. Therefore, the IEO was measured in the study by the following question: 'Our firm puts strong emphasis on innovation rather than focusing on marketing current products in the international market', 'For the last 3 years, our firm has produced many new wood and furniture products internationally', 'The changes in new products in our firm have been quite dramatic, 'Our firm normally engages in aggressive action with the competitors in the international market', 'In general, our firm adopts a very competitive posture to beat the competitors', 'In general, our firm places strong emphasis on high-risk projects with uncertain returns in the international market', 'In cases of insecure decision-making situations, our firm adopts an aggressive position to increase the chance of exploiting international potential opportunities', and 'We believe that, owing to the nature of the environment, bold, wide-ranging acts are necessary to achieve the firm's international objectives'. All these questions' measures are located in Part Two in the questionnaire (see Appendix A and B).

4.3.2 Identify hypotheses related to (RBV):

Hypotheses (H1B and H3B) and (H1C and H3C) are the two groups of hypotheses related to the resource-based view theory (RBV) in this study. Firm resources could be classified into two groups: the first one is tangible resources, such as human resource, financial resources, land, and equipment, while the second one is intangible resources, such as experience, knowledge, reputation, and brand equity (Mahoney and Pandian, 1992). Because of the shortage of time and research resources, the researcher depended on the focus group to identify the most relevant resources to the wood industry in Damietta. It concluded that international experience or knowledge and human capital were the most important resources related to this industry within this region.

First: H1B and H3B

Figure 4.3 identifies H1B and H3B. It represents the assumption of the direct relationship between Entrepreneurial International Experience (IEI) and the Degree of Internationalisation (DOI), which appears in H1B. The second assumption is that of the direct relationship between Entrepreneurial International Experience (IEI) and between SMEs performance (H3B).

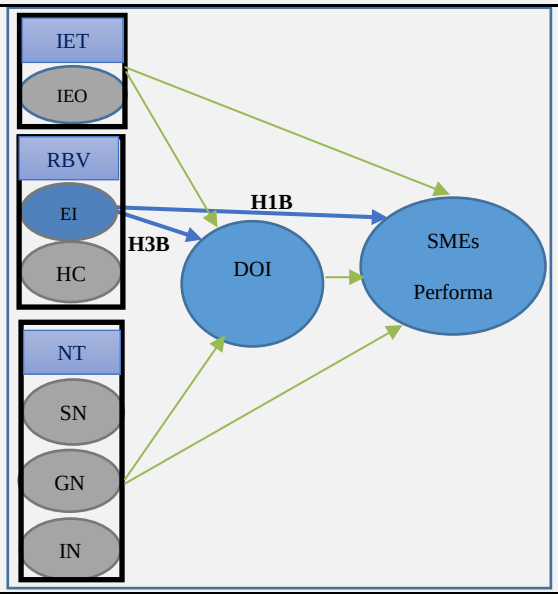
Research hypotheses	Research hypotheses in the framework
H1B: There is no direct effect between the Degree of Internationalisation and Entrepreneurial International Experience. **H3B:** There is no indirect effect between SMEs' Performance and Entrepreneurial International Experience.	

Figure 4-3: Identify H1A and H3A

It has been stated in previous literature that Entrepreneurial International Experience is considered to be positive and significant to the degree of internationalisation. Zahra and George found 'a positive and significant association between managers' foreign work experience and the degree of a new venture's internationalization' (2002: 44). Furthermore, it was noted from the literature that this relationship between IEI and firm performance are considered to be significant (Cavusgil et al., 2008, Oviatt and McDougall, 1994).

The previous hypotheses serve the main theory of this study, the Uppsala model of internationalisation. The main idea of this theory is dependent upon incremental foreign

experience and entrepreneurial knowledge (Johanson and Vahlne, 1977). In addition, entrepreneurial experience is considered one of the most influential criteria of accessing international markets by exploring internationalisation opportunities (Morgan and Katsikeas, 1997, Schwens et al., 2018). Furthermore, some authors also emphasise that previous entrepreneurial knowledge and experience is very important to reduce the international risk and uncertainty for the new international markets and also reduce the physical distance to these markets (Madsen and Servais, 1997, McDougall et al., 1994a, Zhang et al., 2009). Therefore, the hypothesis H1B tests the relationship between the entrepreneurial experience, especially in the international markets, and the degree of internationalisation in these furniture SMEs. On the other hand, the hypothesis H3B tests international entrepreneurial experience with the performance of these SMEs.

Second: H1C and H3C

Figure 4.4 clearly represents the assumption of the direct relationship between Human Capital (HC) and the Degree of Internationalisation (DOI) in (H1C). The second one is the assumption of the direct relationship between human capital (HC) and SMEs' performance in (H3C).

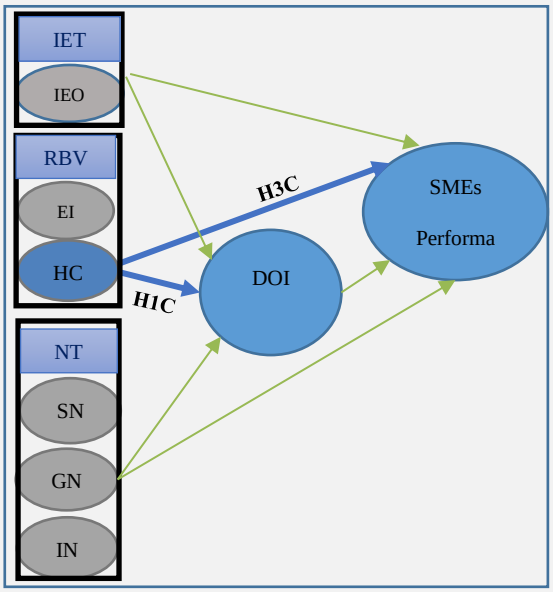
Research hypotheses	Research hypotheses in the framework
H1C: There is no direct effect between the Degree of Internationalisation and Human Capital. **H3C:** There is no indirect effect between SMEs' Performance and Human Capital.	

Figure 4-4: Identify H1C and H3C

According to Radulovich, (2008), international SMEs demonstrate strong links between human capital and internationalisation: 'Human capital has recently been brought to the forefront of international business literature as a contributor to successful internationalization' (Radulovich, 2008: 39). Human capital is considered to be one of the most significant strategic assets in firms, having a huge effect on both international performance and whole firm performance (Balan and Lindsay, 2010, Davidsson and Honig, 2003, Radulovich, 2008).

As a result of the research focus group discussion, it appeared that human capital was playing a significant role in the wood industry, especially in the Damietta Governorate. Thus, human capital was considered to be the most vital asset in the firm, which they had the chance to use for both local and international opportunities (Javalgi and Todd, 2011, Padmasiri, 2012). In addition, they had the ability to control the rest of their resources (Burt, 2009).

4.3.2.1 Measures related (RBV) hypotheses:

RBV measures are not new. They focus mainly on how to obtain a sustained competitive advantage by reliance on the unique resources of the firm (Conner and Prahalad, 1996, Dhanaraj and Beamish, 2003, Kraaijenbrink et al., 2010). This research is studying the wood and furniture industry in Damietta, which is dependent mainly on the RBV approach. However, the two most unique resources to this industry, in this region, are the entrepreneurs' international experiences and human capitals as was confirmed by the research focus group (El-Kilany, 2014).

Regarding the first concept, international experience for entrepreneurs is principally dependent on the exploratory study of the research to measure and test this variable. In addition, these measures are adapted from previous literature especially from (Mazumder, 2012, McDougall et al., 1994a, Sommer, 2012, Ucbasaran et al., 2003, Zhang et al., 2009). The measurement of this hypothesis concentrates on the main idea of how experience affects internationalisation for this topic. Therefore, four measures are adapted for this reason. The first measure is 'The greater

the entrepreneurs' international experience, the greater the number of international activities'. The Second is 'the wood industry has acquired considerable experience to conduct international activities'. The third is 'Our international decisions depend greatly on our international experience' and the final one is 'We will conduct internationalization activities when we have enough international experience'

On the other hand, the HC measures are also adopted from the exploratory study of the research and are guided by other literature studies such as those performed by Snell and Dean (1992), Davidsson and Honig (2003), and Balan and Lindsay (2010). Indeed, human capital refers to the individual, skills, knowledge, and abilities (Javalgi and Todd, 2011, Padmasiri, 2012, Seleim et al., 2007). Therefore, four measures are adapted for this reason which are: 'We have good, qualified and skilled international staff in our enterprise', 'It is possible to acquire the required human resource needed to conduct international activities', 'Our staff receive extensive formal skills training in areas that are important to our business', and 'Our staff are motivated to support internationalization activities'.

4.3.3 Identify hypotheses related to the Network theory:

All the hypotheses related to (HD, HE, and HF) are related to the Network theory. These hypotheses will be separated into some sub-hypotheses as (H1D and H3D), (H1E and H3E), and (H1F and H3F).

Figure 4.5 clearly represents the assumption of the direct relationship between the Social Network (SN) and the Degree of Internationalisation (DOI) in (H1D). The second one is the assumption of the direct relationship between Social Networks (SN) and between SMEs' performance (H3D).

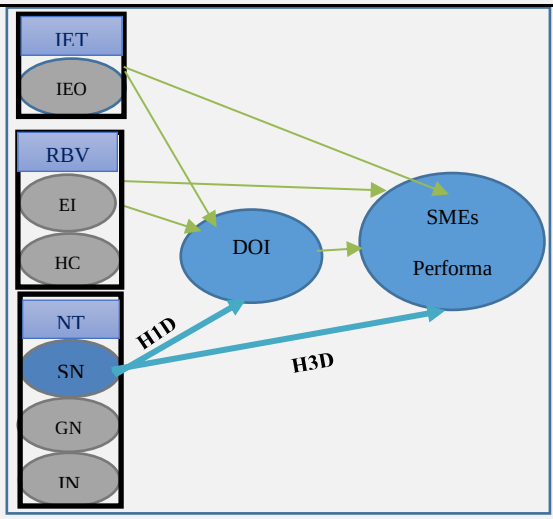
Research hypotheses	Research hypotheses in the framework
H1D: There is no direct effect between the Degree of Internationalisation and Social Network. **H3D:** There is no indirect effect between SMEs' Performance and Social Network.	

Figure 4-5: Identify H1D and H3D

It was stated by the research focus group that the social networks had a very important role to play in the internationalisation process. In particular, it is much more important within industries, such as the wood and furniture industry, within a region such as Egypt, where the people naturally have a very close, social culture. Social networks give entrepreneurs great opportunities to access significantly more resources, which is considered to be extremely important as a means to improve both international and firm performance (Holmlund and Kock,

1998, Vásquez and Escamilla, 2014, Yamin and Kurt, 2018). With regard to research measures, the three networks (social, governmental, and, international) will be discussed together, after discussing their related hypotheses (following section 3.2.6).

Figure 4.6 represents the assumption of the direct relationship between the Governmental Network (GN) and the Degree of Internationalisation (DOI) in (H1E). The second ones inform the assumption of a direct relationship between Governmental Network (GN) and SMEs' Performance (H3E).

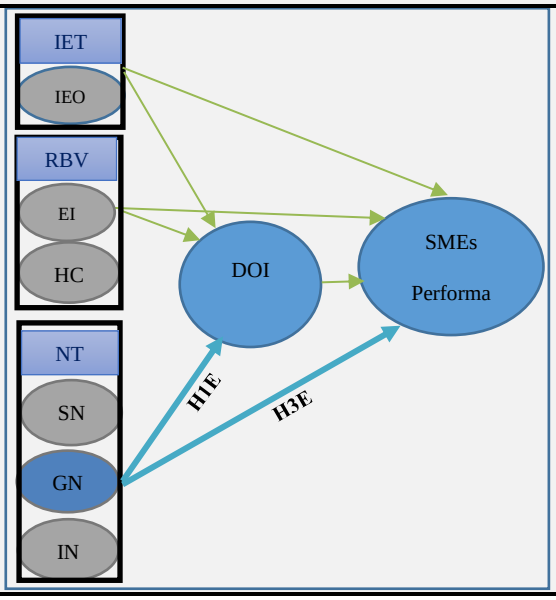
Research hypotheses	Research hypotheses in the framework
H1E: There is no direct effect between the Degree of Internationalisation and Governmental Network. **H3E:** There is no indirect effect between SMEs' Performance and Governmental Network.	

Figure 4-6: Identify H1E and H3E

The governmental network was identified as the second important network (by the focus group). The governmental network refers to all the formal institutions in Egypt that have a close relationship with the wood and furniture industry in Damietta, Egypt (Dossenbach, 2011). It was asserted that the governmental links had a very important role to play, especially within SMEs (Bakari, 2017, Caiazza, 2012, Smallbone and Welter, 2001). Furthermore, it was indicated that the government should have the links to affect the nature of SMEs development, rather than offering just general support programs (Cardoza et al., 2012, Smallbone and Welter, 2001).

Figure 4.5 represents the assumption of the direct relationship between the International Network (IN) and the Degree of Internationalisation (DOI) (H1F). The second one is the assumption of a direct relationship between an International Network (IN) and SMEs' Performance (H3F).

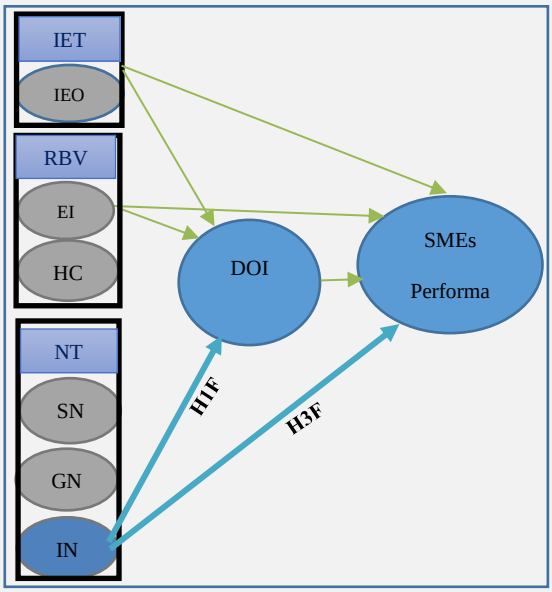
Research hypotheses	Research hypotheses in the framework
H1F: There is no direct effect between the Degree of Internationalisation and International Network. **H3F:** There is no indirect effect between SMEs' Performance and International Network.	

Figure 4-7: Identify H1F and H3F

The International Network was the third next important factor identified by the Focus group. It had been noted from the literature that creating international network links had a greater impact on developing, sustaining, and increasing the DOI and SMEs' performance (Johanson and Vahlne, 1977, 2009).

4.3.3.1 Measures related to the Network theory's hypotheses:

The three types of network are dependent on the Uppsala revised approach to the criteria of knowledge, commitment and trust (Johanson and Vahlne, 1977, 2009, Vahlne and Johanson,

2017a, Yamin and Kurt, 2018). This study depended mainly on the Uppsala revised model of networking (Johanson and Vahlne, 2009). The main purpose of investigating the networks was to understand the effective links in a particular region. Therefore, the Uppsala revised model was closely related to this kind of relationship (Costa e Silva et al., 2012, Forsgren, 2016). It tests the strengths of network relations by measuring the knowledge and opportunities gained from this relationship and also from the commitment and trust built between the various parts of the network.

The network measures of this study are adapted from previous literature such as (Arbuckle, 2010a, Johanson and Vahlne, 1977, 2009, Mattsson and Johanson, 1993, Vahlne and Johanson, 2014). The first network measures will relate to 'the social network' which will be measured by the same criteria of knowledge, commitment and trust. Therefore, five statement measures are adapted for this reason which are: 'We conducted international activities depending on the knowledge gained from our personal and social networks', 'We believed that information and knowledge provided to us by the social network is very important in international activities', 'We trusted the internationalization knowledge of our social network partners', 'We were very committed to our social network to conduct internationalisation activities', and 'We were quite willing to make long-term investment in our relationship with social network partners to improve our internationalisation activities'.

In general, these statements are following the scale of knowledge, commitment and trust to measure the value of the social network. These statements show the importance of the role of this knowledge and information, gained from family and close friends, affects the internationalisation of furniture SMEs in Damietta. Subsequently is shows how these social links are trusted, and how that dependence on them influences more investment in these networks in the future.

The second type of network in this study is the governmental network which will be used and measured by the same criteria on this scale. Therefore, five statements will be used to measure this variable which are: 'We conduct international activities depending on the knowledge from the Governmental Network', 'We believe that information and knowledge provided to us from the Governmental Network is very important to our international activities', 'We trust the internationalization knowledge of the Governmental Network partners' 'We were very committed to the Governmental Network to conduct internationalisation activities' and 'We were quite willing to make long-term investment in our relationship with Governmental Network partners to improve our internationalisation activities'.

Generally, these measure statements are clarifying the role of knowledge and information from the governmental agencies and institutions to help in accessing international markets and how

these institutions' knowledge is trusted and relied upon. In addition, we explore how these network relationships are sold as long-term commitments for the Damietta furniture SMEs.

The third type of network in this study is the international network. The same as the previous two types of networks, they are following the same criteria: 'knowledge, commitment and trust' to measure the international network variable in this study. Therefore, five statements have been adapted to measure this variable, which are: 'We conduct international activities depending on the knowledge from the International Network', 'We believe that information and knowledge provided to us from the International Network is very important to international activities', 'We trust the internationalization knowledge of International Network partners', 'We were very committed to the International Network to conduct internationalisation activities', and 'We were quite willing to make a long-term investment in our relationship with International Network partners to improve our internationalisation activities'.

Obviously, these measure statements are clarifying the role of accumulative knowledge and information from the international institutions and agencies to create and maintain sustainable international relations. Moreover, the terms of 'trust' and 'commitment' are very important as in the previous two networks' relationships (Forsgren, 2016, Johanson and Mattsson, 2015, Oparaocha, 2015). It is clear that the more trust there is in the international networks the more the commitment in the future will be (Rampersad et al., 2010, Welter and Kautonen, 2005).

4.3.4 Identify H2 (relationship between DOI and performance)

The relationship between firm internationalisation and performance is very important, which is discussed generally in many research studies in previous literature, and it is very important in particular in this study because internationalisation of the furniture industry in Egypt is considered crucial for the well-being of the national and international economy (Hsu et al., 2013, Jalali, 2012, Jane Lu and Beamish, 2006, Zhou et al., 2007). As discussed in the literature review chapter, this study is following the traditional model of internationalisation, the Uppsala model, which considers firm internationalisation as a step-by-step process that relies on accumulative experience in the local market and in the closest international markets before looking to have full access to any international markets (Forsgren, 2002, Johanson and Vahlne, 2009).

On the other hand, firm performance is considered to be the result of our SMEs work in the furniture industry in Damietta (El-Kilany, 2014, El-Meehy, 2002, IMC, 2010). Therefore, this hypothesis examines the direct relationship between the Degree of Internationalisation and the performance of SMEs. The following figure shows this relationship and illustrates it in the framework diagram.

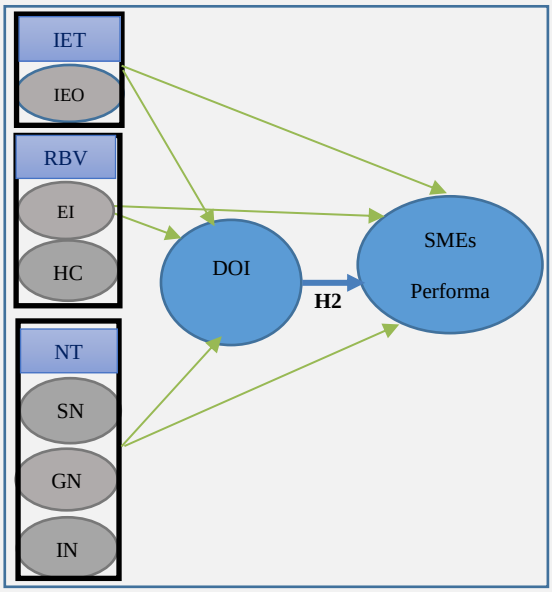
Research hypotheses	Research hypotheses in the framework
H2: There is no direct effect between SMEs' performance and the Degree of Internationalisation.	

Figure 4-8: DOI and performance of SMEs

4.3.4.1 Measures related H2 (relationship between DOI and performance):

The relationship between DOI and firm performance has been an interesting topic in international business literature for more than 30 years (Akaike, 1987, Browne and Cudeck, 1989, Kirca et al., 2011). This relationship may be either positive or negative (Bausch and Krist, 2007, Browne and Cudeck, 1989). How the type of relationship differs depends on a variety of variables such as the type of industry, the country's economic situation, worker skills and abilities, the costs etc.

Therefore, some research measures have been created from previous literature and from the exploratory research of this study to test the variables of DOI and SMEs performance. The following table presents some academic articles that have discussed some of the measures of DOI and firm performance.

Table 4-4:Measures of DOI and firm performance

Study	Sample	DOI Measures	Performance Measures	Notes
(Siddhartha n and Lall, 1982)	500 MNCs and 100 non-MNCs from USA	FSTS	Firm growth	DOI had a negative effect on firm growth
(Kumar, 1984)	672 British MNCs	FSTS	ROS ROA	It has a negative relationship between firm internationalisation and firm profits.
(Bühner, 1987)	40 German firms	FSTS	ROA ROE Risk adjusted	Single firm has a high DOI on performance while the rest of firms are not significantly different
(Grant, 1987)	304 British firms	FSTS	ROE Sales growth	DOI is positive with firm performance

(Daniels and Bracker, 1989)	116 MNCs from USA	FSTS FATA	ROA ROS	Generally there is a significant positive relationship between DOI and performance for the overall sample
(Geringer et al., 1989)	100 European MNCs and 100 USA MNCs	FSTS	ROS ROA	The performance of MNCs increases when the FSTS increases however, it declines after FSTS reaches its peak with over 60%.
(Collins, 1990)	150 MNCs from the top fortune 500	FSTS	Total risk Leverage	MNCS performance in developed countries was almost equal to the domestic firms.
(Riahi-Belkaoui, 1998)	100 American Manufacturing	Foreign revenues/ total revenues (FRTR)	Profits Assets (ROA)	The relationship between DOI and performance is following "S'' shape. When the DOI increases, the ROS starts to decrease and after that it increases and finally decreases again.
(Capar and Kotabe, 2003)	81 German service	FSTS	ROA ROS	The relationship between DOI and performance is following a "U" shaped relationship

(Balasubramanian Elango and Sethi, 2007)	1721 technology firms from 16 countries	FSTS	Gross Profit Margin. Operation Profit Margin.	The relationship between DOI and performance has a 'U' shape relationship and a linear positive in smaller countries.
(Loncan and Meucci, 2010)	Five Brazilian firms	FSTS	ROA	Positive relationship between DOI and firm performance.
(Bobillo et al., 2012)	1721 firms from 12 European countries	FSTS	ROA	The service firms have a more positive relationship between firm performance and DOI than industrial firms.
(Bolaji and Chris, 2014)	Five Nigerian Banks	FSTS	ROA	Positive relationship between DOI and firm performance.

As a result from the previous table, it is clear that the majority of these studies are using FSTS to measure DOI and mostly ROA and ROS to measure firm performance. Therefore, the following points will discuss the most relevant measures of DOI and performance in this study. As mentioned before, FSTS is mostly considered as a solo DOI measure when discussing the relationship between DOI and firm performance. However, some other authors argue that it should be another DOI measure to achieve a better understanding of this relationship

(Dörrenbächer, 2000, Ramaswamy et al., 1996, Ruzzier et al., 2007). Therefore, Ramaswamy mentioned in their paper that:

> *'an aggregate measure of the internationalization construct would be superior to single-variable measures such as the ratio of foreign sales to total sales (FSTS), the most common measure of internationalization. We laud his idea and agree that a more sophisticated measure is needed for this conceptually broad construct that is so crucial to the international business field'* (1996: 175).

Hence, the study of internationalisation and performance of the industry in Damietta is critical, therefore we will focus not only on the measure of foreign sales but also on other measures that relate to customers in the international markets and what the future of this internationalisation process might be.

Therefore, all measures have been discussed with the focus group members and the Likert scale is considered as being the most suitable for this study, as mooted in Chapter Five. This has been selected because most firms in Damietta did not allow the researcher to have the genuine sales or profit figures that are hidden from their competitors (El-Kilany, 2014, El-Meehy, 2002). Therefore, the Likert scale questions were constructed in such a way as to acquire this information. Consequently, some of the questions focus on international sales and future development and growth such as 'Are you satisfied with the international sales growth of your

business in the last three years?', 'Are you satisfied with the profitability growth of your international business in the last three years?', 'Are you satisfied with the firm's internationalisation development over the last three years?', 'International markets represent a very important part of our business' and, 'We are planning to expand our international markets'. While there are some questions that relate to the customers who have a relationship with international furniture products such as 'Customers have been satisfied in international markets over the last three years' and, 'Customer retention in international markets'.

After we discussed the DOI measure for the furniture industry in Damietta SMEs, the following section will deal with measures for firm performance by taking into consideration the different environmental variables of this study.

In fact, previous studies have a variety of meaning and ways to classify the measurements of firm performance. For instance, Madsen (1987) in the study of 'export performance studies' classified the firm performance into certain indicators such as: export volume, growth, and profitability. Whilst Sousa (2004) discussed the firm performance measures by reviewing an empirical study for 43 articles relating to the measurement of export performance within the period of 1998 to 2004. After studying this large number of articles he discovered that there are more than 50 different indicators for firm performance and he mentioned that:

> *'in spite of the large number of different export performance measures, only a few were frequently utilized, such as export intensity (export-to-total sales ratio), export sales growth, export profitability, export market share, satisfaction with overall export performance, and perceived export success. Other measures, such as return on investment, quality of distributor relationship, customer satisfaction, and satisfaction with product/service quality compared to competitors were examined in only one or two studies'* (Sousa, 2004: 8).

This study concludes that performance measures of intensity, growth, and profitability are those most frequently used in the previous literature. In addition, some other studies are interested in other important performance measures such as customer satisfaction and competition.

On the other hand, some scholars are presenting firm performance measures from another point of view by categorising them into financial and non-financial measures (El-Gohary, 2009, Glaister and Buckley, 1998, Pont and Shaw, 2003, Sousa, 2004). According to Pont and Shaw (2003), they present an empirical literature study of 'measuring marketing performance' in the early 1990s. In their research, they depended on 25 different firm performance measures. The following table will briefly present the differences between financial and non-financial measures:

Table 4-5:the differences between financial and non-financial measures

Financial performance measures	Non-financial performance measures
Sales (and Growth)	Satisfaction (customer and company
Return on investment	Overall performance
Return on assets / Profitability	Customer retention / loyalty
Market share	Overall performance relative to competitors
Return on capital	Employee turnover
Return on sales	Brand awareness
Gross operating profit	Customer complaints
Service quality	Attracting new customers
Occupancy rate	Satisfaction with overall performance

Source: (El-Gohary, 2009, Pont and Shaw, 2003).

The previous table presents a large number of financial and non-financial firm performance measures. However, each study is different in nature along with the main criteria affecting them. Therefore, the nature and the environment of the study of the wood and furniture industry in Damietta leads to combining some financial and non-financial firms to acquire a better understanding of firm performance in this study. As mentioned before in the focus group section, the prevailing culture of firm owners or managers in Damietta is to keep the main financial and non-financial firm figures as hidden as possible. These figures are their sales and profit figures. They endeavour to keep these figures away from competitors as much as possible (El-Kilany, 2014, El-Meehy, 2002). Therefore, the study enquires about financial and non-financial firm performance measures using Likert scale questions to enable the study to achieve the required information of the firm performance (Glaister and Buckley, 1998, Sousa, 2004).

Consequently, in this study, the firm performance measure questions depend on either financial or non-financial measures (Glaister and Buckley, 1998, Sousa, 2004). The financial measure questions are mostly related to asking about: 'Average return on investment (ROI) over the last three years', 'Average return on sales (ROS) over the last three years', and 'Average return on assets (ROA) over the last three years'. While the non-financial measure questions are mostly related to asking about: 'Are you satisfied with the overall performance of your firm over the last three years?', 'Are you satisfied with the overall performance of your firm compared to the performance of your competitors?', and 'Customers are satisfied with the overall performance of your firm over the last three years'.

4.4 Chapter summary

This chapter introduced the main parts of this study by focusing on the research framework. Equally important, the research hypotheses and their relationship with the research framework have been addressed. In addition, the main research measures are also discussed. This chapter acts as a good introduction and link to the research methodology chapter, which follows. By the way, the following chapter will present two research phases of this study. The first phase is the qualitative aspect using a focus group technique, while the second phase quantitatively used a questionnaire technique. In addition, the following chapter will discuss some important points such as the research reliability and its validity, sampling, and data preparation.

CHAPTER 5: RESEARCH METHODOLOGY

5.1 Introduction

The previous chapter discussed the research framework of internationalisation and performance of SMEs by concentrating on three integrated theories relating to international entrepreneurship, RBV, and the network approach. In addition, research hypotheses and the main research measures were also discussed earlier.

The main objective of this chapter is to present the methodological background of this study investigating the entrepreneur, RBV, and the network factors affecting the internationalisation of wood and furniture SMEs and their impact on performance. This chapter is structured by starting with the research approach and strategy and then discusses the two research phases of the study. The qualitative aspect used a focus group technique, while the quantitative section used a questionnaire. This is followed by a discussion of the research measurements and addresses the reliability and validity issues. The research design has been taken into consideration, by discussing the research population framework and the sampling design. This chapter ends by discussing how the researcher prepared the data, with a brief discussion of the research analysis.

5.2 Research approach

The research approach is one layer of Saunders's onion research model, which discusses two fundamental types of research approach: deduction and induction (Figure 4.1).

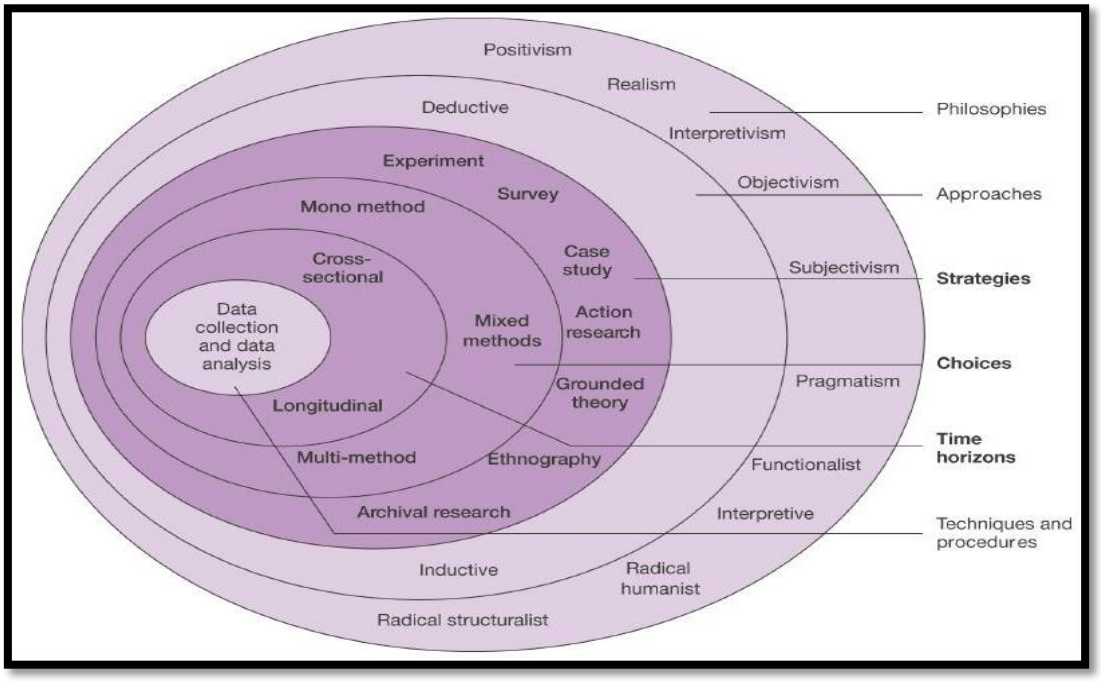


Figure 5-1: Saunders's research onion

Source: (Saunders et al., 2009)

The main emphasis of the deductive research approach is testing existing theory. This approach depends on the formulation of the hypotheses of the research study and testing it during the research process to examine the resulting outcomes and to confirm or modify the theory under consideration. The deductive approach is recognized by two core characteristics: operationalisation and generalisation. The former enables the researcher to test and measure the

variables and facts quantitatively, while the latter (or the external validity) is concerned with the applicability of the outcomes to other associated research, by which it ensures the use of a sufficient numerical sample of cases (Figure 4.2) (Sekaran and Bougie, 2010, 2016, Trochim and Donnelly, 2007).

On the other hand, the main core of the inductive approach, as shown in Figure 4.2, understands clearly the nature of the problem and building theory. In this approach, the structure is much more flexible, qualitative data is required to represent respondents' points of view and, therefore, less concern is given to generalising the findings (Bryman and Bell, 2007, 2015, Saunders et al., 2009).

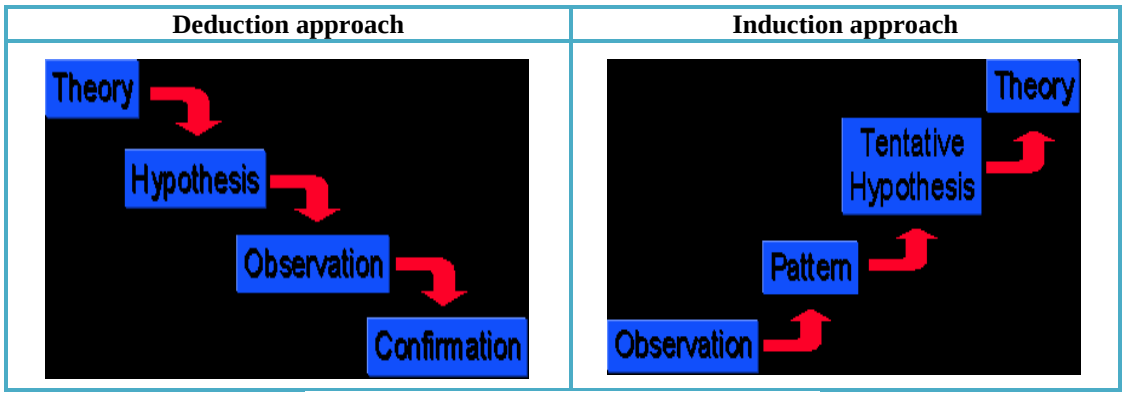


Figure 5-2: Deduction and induction approaches

Adopted from (Trochim and Donnelly, 2007)

Importantly, the combination of both deductive and inductive approaches within a study is recommended by Saunders et al (2009), who assert that this combination could improve the

validity of the findings. As a reflection of this study, both deduction and induction approaches were used. The inductive approach was used to get a broad understanding of the relationship between both the IE and the network variables and the internationalisation of SMEs and reflections on their performance. This understanding was very important to use as it is an essential input to the deductive approach to the main research study approach. The deductive approach was adopted as the main study approach for the following reasons:

Firstly, the deductive research approach follows the positivist and the post-positivist philosophy, which had been chosen as the research philosophy of the current study (Bryman and Bell, 2015, Saunders et al., 2009). Secondly, testing research hypotheses were derived from the existing theories of IE theory and the network theory in the internationalisation context. Thirdly, quantitative data was collected to test these hypotheses and examine the findings, to enable the author to modify or confirm the theories under consideration (Bryman and Bell, 2007, Saunders et al., 2009, Trochim and Donnelly, 2007). Finally, a large sample size was used to achieve the research purpose. Therefore, the deductive research approach was suitable (Saunders et al., 2009, Trochim and Donnelly, 2007).

5.3 Time horizon

The time horizon is a specific time frame wherein certain research processes are undertaken (Bryman and Bell, 2015, Saunders et al., 2009). Therefore, the time horizon has two main

categories. The first one is when the research is undertaken at a particular time as a 'one-time' or 'snapshot', which is called a cross-sectional study. A cross-sectional study 'entails the collection of data on more than one case …. at a single point of time in order to collect a body of qualitative or quantitative data in connection with two or more variables …. which are then examined to detect patterns of association' (Bryman and Bell, 2007: 55).

The second category depends on a 'diary' time perspective and is called a longitudinal study (Saunders et al., 2009, Sekaran and Bougie, 2010). A longitudinal study is the collection of data on more than one case over a longer period of time or collecting data from the same case at different times (Bryman and Bell, 2007, Saunders et al., 2009, Sekaran and Bougie, 2016).

The data collection of this study used snapshot time (cross-sectional design) to assay the wood and furniture industry in Egypt at a particular juncture. This was because we needed to explain the relationship between IE and the network factors and their effect on internationalisation and the performance of SMEs. This study does not necessarily consider changes in the relationship between the research variables, but it studies these relationships at a specific point in time. Secondly, the longitudinal design requires a lot of effort to study the same process more than once (Bryman and Bell, 2007, Sekaran and Bougie, 2016). Finally, the cross-sectional design was very suitable to this study because of the time constraints under which this study was conducted, particularly the very limited time for data collection, which was partly due to the

chaotic situation of Egypt during the fieldwork period (Saunders et al., 2009, Sekaran and Bougie, 2016).

5.4 Research strategy

Research strategy can be defined as a general plan of how the research question(s) will be answered (Saunders et al. 2003: 9). There are many strategies which can be used and which are applicable to a single study. As well as the research approach, there are no perfect research strategies for a study. It depends on the nature of the research itself, the research questions and how the research objectives are to be achieved (Bryman and Bell, 2015, Sekaran and Bougie, 2016).

Scholars have identified several research strategies. Surveys, case studies, experiments, grounded theory and action research are research strategies that can be employed in the inductive approach, the deductive approach or to both inductive and deductive (Bryman and Bell, 2007, Saunders et al., 2009, Yin, 2003). Table 4.1 presents a description of every strategy with the potential to relate to a research approach.

The choice of the research strategy is attributed to the ability of this strategy to answer the research questions, examine the research hypotheses and achieve the research aims (Saunders

et al., 2009). Consequently, Saunders et al. (2009) asserted that there is no superior research strategy that any better than any others.

A research strategy is a 'general plan of how the research question(s) will be answered' (Saunders et al. 2009: 9). In this respect, Saunders et al. (2009) emphasised the importance of employing the research strategy that fits the research objectives and questions. Accordingly, this study used a survey strategy, through which it achieved the research aim and answered the research questions. The reasons behind employing a survey strategy were, firstly, its association with the deductive approach and positivistic methodology (Collis and Hussey, 2013, Saunders et al., 2009). This, in turn, enabled the research to create the quantitative models and examine the research hypotheses. The secondary importance of using the survey strategy was the ability to collect a large number of respondents, which served the aim of the existing study, the purpose of which was to investigate the relationship between the internationalisation of SMEs and performance in the wood and furniture industry. Hence, the researcher was able to collect data about the existing and future performance factors in the wood and furniture industry.

5.5 Choice of research strategies

Quantitative and qualitative research is considered to be one of the most dominant methodologies in the humanities and social sciences sectors, which can be used alone or

triangulated (Bryman and Bell, 2011). Some scholars have mixed these two research approaches in a triangulation strategy or as a mixed method approach.

A qualitative approach is considered to be the most widely used research strategy in social research, focusing on gathering in-depth information about complicated relationships by collecting data from human participants, to explore their understandings of reality in order to achieve the research objectives and answer the research questions (Bryman and Bell, 2015, Saunders et al., 2009, Sekaran and Bougie, 2016). On the other hand, quantitative research concentrates mainly on gathering information by describing research phenomena according to numerical data resulting from experimentation to test a priori hypotheses (Saunders et al., 2009, Yin, 2003).

A mixed method and triangulation strategy combines quantitative and qualitative research techniques to compensate for the deficiencies and to benefit from the strengths of each individual approach (Saunders et al., 2009). There are some categories of research triangulation. First is triangulation by methodology, using more than one research method to study a research problem. Secondly, triangulation of data is using mixed data sources. Triangulation of theory is when the researcher uses more than one research theory to describe and solve the research problem.

The selective research strategy of this study is dependent on two main phases of the research strategy. Phase one used the qualitative method by using a focus group, while the second phase was a quantitative research method by using a questionnaire technique.

5.6 Phase one: Qualitative method

The qualitative method enables the researcher to get a deeper understanding of the topic from the participants' points of view based on their own experiences (Veal, 2005). Miles and Huberman (1994) supported this idea, by mentioning 'a rich and complex description of the subject investigated' (1994: 9). In this study, the author depended on a focus group technique as phase one of their research methods.

5.6.1 Focus group

A focus group is one of the most commonly used research techniques in the social sciences. Using a focus group is a technique that involves the use of an in-depth group interview in which the participants of the group are chosen to represent a sample of a particular research population in order to investigate a specified topic (Bryman and Bell, 2015, Sekaran and Bougie, 2016, Thomas et al., 1995).

The participants in the focus group are selected to participate based on their knowledge of the study area. Richardson and Rabiee (2001) demonstrated that the main criterion is important when selecting the participants in the focus group, usually their knowledge of the selected topic.

The unique thing the focus group technique is the ability to generate data based on the collaboration of group interaction. Therefore, focus groups generally result in a wide range of ideas and data related to the area of study. Thomas et al. (1995) argued that the data resulting from the social interaction of the focus group is deeper and richer than the data acquired from one-to-one interviews (Bryman and Bell, 2015, Sekaran and Bougie, 2016, Thomas et al., 1995). The main purpose of using a focus group in this study was to explore the most important factors related to the internationalisation of SMEs in the wood and furniture industry in Egypt. The focus group was used to test and filter the factors resulting from the previous literature studied and to determine the most important factors to be used to prepare the questionnaire in the second phase of the study (Sekaran, 2006, Sekaran and Bougie, 2010, 2016).

5.6.2 Why focus groups?

The first most important reason to use the focus group technique is to use it as an exploratory research approach (Bryman and Bell, 2015, Sekaran and Bougie, 2016). This exploratory study was very important to understanding critical factors relating to the wood and furniture industry

of Egyptian SMEs. As a result, these factors were the input of the research questionnaire in phase two.

Calder (1977) advocated the idea that a focus group can be used as an exploratory research approach and as significant input for quantitative research. He mentioned in his research on focus groups and the nature of qualitative marketing research that:

> *'Focus groups often are conducted before the fielding of a large sample survey. This exploratory approach can take one of two somewhat different forms. Researchers may be interested in simply pilot testing certain operational aspects of anticipated quantitative research. Their objective might be to check the wording of questions or the instructions accompanying product placements' (Calder, 1977: 356).*

Furthermore, focus groups are considered to be a natural forum for new ideas (Bryman and Bell, 2015, Sekaran and Bougie, 2016). Focus groups could be a very rich source of information, especially if compared with personal interviews or surveys, because of the dynamic engagement and interaction between the group members and the ability to expand and clarify any ambiguous subjects by asking follow-up questions (Bryman and Bell, 2011, 2015). Morgan supported this point, mentioning that 'agreement and disagreement is a unique strength of focus groups' (David L Morgan, 1996: 139). Another important reason to use a focus group

was that it is a cost and time-efficient method for gathering a large volume of relevant data (David L Morgan, 1998, Thomas et al., 1995).

This research, therefore, argues that the focus group technique was the most appropriate tool to collect data in phase one, rather than any other tool, because of the way that it helped to understand and determine the factors needed for the second phase.

5.6.3 Focus group steps

In our study, one focus group was used to test and filter the factors of internationalisation of SMEs in the wood and furniture industry from the literature and to decide the most important aspect by using four steps within the focus group, as shown in Figure 4.3. There are some common steps in the focus group methodology, which are planning, recruiting, conducting the focus group and analysing and reporting (David L Morgan, 1998).

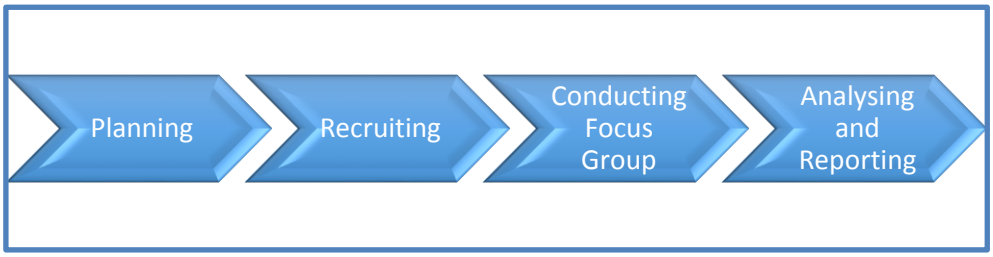


Figure 5-3: Focus group steps

Source: (David L Morgan, 1998)

1- Planning:

This stage is the most important and difficult aspect, upon which all subsequent stages depend (Bryman and Bell, 2015, Sekaran and Bougie, 2016). In this stage, the purpose of the study should be the main guide to all the focus group stages, from creating the questionnaire through to recruiting participants and to analysing and reporting the data. The main purpose of this study was to investigate and understand the entrepreneurial and network factors affecting the internationalisation of SMEs in the wood and furniture industry, and its impact on performance in Damietta Governorate, Egypt. It planned to have two focus group meetings. The first one being the main focus group meeting and the second one being the follow up meeting.

2- Recruiting

This stage is to identify the most suitable individuals to participate in the focus groups (Casey and Krueger, 2000, Krueger, 2009). All participants should have knowledge and experience in the area of internationalisation of SMEs, especially in the Egyptian environment. The number of focus group members may vary for many reasons, such as the nature of the research problem, the availability of participants, the knowledge and experience of the participants and the moderator, and the availability of time and money. Some authors provide guidance about the number of participants in a focus group. Casey and Krueger (2000) and Krueger (2009) suggested that a suitable number is between six and eight participants, while Calder (1977)

suggested eight to ten, to ensure diversity among participants. Our focus group was planned to include seven to ten participants, depending on their availability and willingness.

To recruit the focus group participants, 22 prospective academics with experience in SMEs, entrepreneurs with experience in the wood and furniture industry SMEs, and marketing and export consultants in Egypt were approached. Of these 22 prospective participants, 10 agreed to participate, although one of them could not come to the meeting. Therefore, nine participants were recruited to this focus group. This focus group contained: three academics from the Business School in Cairo University with experience of SMEs in Egypt; four entrepreneurs in the wood and furniture industry in Damietta; and two marketing and export consultants.

3- Conducting focus groups

This focus group was conducted in two main meetings. The first meeting was the main one which took place in a meeting room at Cairo University. This place was chosen because it was convenient for all focus group members. This meeting was around 120 minutes long with a short break included. The second meeting was a follow-up meeting. This was mainly to clarify any points from the first meeting and to discuss the questionnaire with the focus group members. This meeting was conducted via a video conference meeting because it was the only way to meet the group members at the same time. This meeting was around 90 minutes in duration.

The focus groups meeting started by welcoming the participants and giving them a very short introduction to the purpose of the research and the meeting. The main discussion was about the factors affecting the internationalisation of SMEs of the wood and furniture industry in Damietta, Egypt. We discussed about 30 factors that had been derived from about 200 articles and studies. All of these factors were discussed, in order to understand the factors most relevant to the wood and furniture industry in Egypt as an emerging country, because most studies in the literature were from developed countries. All research constructs and dimensions were discussed in the meeting to make sure that all the research measures and questions were usable in the Egyptian environment and that they would be easily understood.

4- Analysing and reporting

The main research objective was to explore the factors in the internationalisation of SMEs which affected performance in the wood and furniture industry. Due to the immense number of factors identified as affecting the internationalisation and performance of SMEs, the author mainly focused on the international entrepreneurship theory, Resource-based view theory, and network theory and their relationship with the internationalisation and performance of SMEs (as discussed in Chapter Two). Some related factors from these theories were discussed and the main focus was to reduce these factors as much as possible, to try to get to the most important factors concerning the wood and furniture industry and concerning Egypt as an emerging

economy. These factors included top management characteristics, entrepreneur orientation, entrepreneur experience, firm resources, firm age, firm size, firm location, competition, growth, national culture, industry profitability, industrial environment, economy of scale, firm strategies, social network, governmental network, financial network, technological network, international network, supply chain network and research institution network (Covin and Miller, 2011, Håkansson and Snehota, 1989, Johanson and Vahlne, 2009, Breda Kenny and Fahy, 2011, Khalefa et al., 2013, Knight, 2000, Zahra and George, 2002).

The participants of this focus group agreed that all these factors were important and integrated. However, the main idea was to identify and discuss the most important factors from their points of view, because the researcher had very limited time and resources to study all these combined factors in this research. Therefore, the focus group concluded that there were some factors that were closely related to the wood and furniture industry and to Egypt as an emerging economy country. The first factor, International Entrepreneurial Orientation, was related to the international entrepreneurship theory, the entrepreneur's international experience and human capital were related to RBV theory. The last three factors were related to the network theory. The most significant networks relating to these SMEs were the governmental, international and social networks.

Furthermore, basic international business theories, such as stage theory and born global, were discussed in the focus group. Interestingly, almost all of the focus group members confirmed that most of the Egyptian SMEs in the wood industry, especially in Damietta, were still following the stage theory to enter into the international markets. These firms try to sell their wood and furniture products locally first and, after accumulating experiences, they try international access to some geographically close by and accessible countries. Most of the target countries are Arabic countries, to avoid any language barriers. After this stage, they gain some more experience and some will try to take the risk of accessing wider international markets.

Finally, the way that the Egyptian SMEs enter their wood products into the international market is interesting. Most of the focus group members agreed that international exhibitions was one of the most preferable and common entry modes for most Egyptian wood and furniture SMEs, especially in Damietta.

5.6.4 Focus group outcomes

In this part, we will discuss, in some detail, the focus group of this study. This focus group will be categorised into four main themes. The first one will ask some questions to gain knowledge of the Damietta governorate. The second theme focuses on the main industry of this study; that being the wood and furniture industry in Damietta. While, the third theme looks in-depth at the

study's main theories by asking about Damietta entrepreneurs, firm resources, and their networks. The final theme discusses the main point of this study, which is internationalisation.

Theme one: Damietta governorate

'What are the most unique aspects of the Damietta governorate in Egypt?'

In theme one, we discussed the main features of the Damietta governorate and the unique aspects of this important economic city in Egypt. In this focus group, the first and the main regional concern is Damietta governorate in Egypt and some discussed what was mentioned:

> *History shows that Damietta was the first window of Egypt on the Mediterranean coast. The city of Damietta has a number of comparative advantages and competitive capabilities that distinguish it from other governorates of the Republic where the economic activity of Damietta is the best economic patterns in the development process, as it achieves one of the most rapid economic growth in Egypt.*

The previous quotation emphasizes the great importance of Damietta historically and economically. In addition, this quotation concentrates on the important role of Damietta compared with other Egyptian governorates. The rapid economic growth of Damietta is based on some important pillars. It could be grouped in the following way:

1. *The availability of skilled labour required for the establishment of many industries, especially the manufacture of furniture, dairy products, sweets, ships, yachts, and fishing.*
2. *The province limits the Mediterranean Sea and Manzala Lake and passes through the branch of the River Nile, Damietta which gives it a special advantage in the superiority of fish production.*
3. *Availability of natural gas fields, providing clean future fuel.*
4. *Availability of agricultural production.*
5. *Preservation of the Mediterranean coast provides a large coastal area with a paved sandy land, providing a unique location that gives it a competitive edge in the field of tourism investment.*
6. *Availability of a network of modern road routes spread across its borders and links to the rest of the provinces as it passes through the international coastal road. As well, the existence of a new urban society, the new city of Damietta as a coastal city is through the international coastal road.*
7. *The presence of the new port of Damietta with its large capacity has made it possible to establish export industries. It is connected to a shipping channel in the River Nile of Damietta branch, which provides the cheapest way to transport goods and products.*

8. *The availability of land suitable space for the establishment of industrial projects on the road to Damietta-Port Said, the new city of Damietta and the industrial zone, and inside the port of Damietta. As well, the new industrial place in Damietta is considered a great opportunity for SMEs.*

This group of quotations concentrate on part of the unique characteristics of Damietta governorate. Indeed, skilled and talented human resource are the first, and one of the most important, characteristics of Damietta. In addition, Damietta governorate has a unique geographical place in Egypt with great natural advantages such as the River Nile branch in Damietta, and a large coastal area on the Mediterranean Sea. Damietta is also placed well with a very good infrastructure especially the road network, which has eased connections to Damietta from other governorates in Egypt. This discussion presents the major economic activities in the wood and furniture industry, natural gas industry, agricultural production and industry, and tourism areas. The previous discussion indicates one of the unique opportunities of Damietta governorate, which is the opportunity for future expansion of industrial investments especially in the new city of Damietta and the industrial zone of Damietta. Having the opportunity for future expansion is considered a very good for investors for smaller and fewer resourced firms.

Theme two: the wood and furniture industry in Damietta

'What is unique about the wood and furniture industry in Damietta?'

Wood and furniture are considered one of the most important industries in Egypt, especially in the Damietta governorate. This theme presented a very important subject in the focus group discussion. As they indicate that:

> *The furniture industry in Egypt is mainly concentrated in the Damietta Governorate, in the coastal area of Damietta. It produces almost two-thirds of the production of wood furniture in Egypt. The total annual production is 375 thousand rooms (sleeping, dining, salon and others) as well as the production of kitchens and chairs, with nearly two million Egyptian pounds. The furniture industry in Damietta governorate depends on wooden industries through wood and production plants veneer wood and factories for the production of furniture accessories, handles, and furniture paints.*

This quotation points out again the importance of the furniture industry in Damietta with wooden production of about 65% of the wood and furniture production in Egypt. In addition, it presents a large variety of wood products from large furniture products to small items and accessories. Therefore, there is much progress in the wood and furniture industry in Damietta, as stated:

> *The Damietta furniture market in the last ten years is progressing at a high annual rate. From 2001, the income from the exports of Damietta furniture was about $ 36*

million. In 2005, Income amounted to around 130 million dollars; while last year's total amounted to about 280 million dollars.

The previous quotation presents confirmation of some figures proving that this industry, especially in Damietta, is making significant progress from year to year and continues to be a promising industry. Therefore, the following focus group discussion is asked to present some reasons why the wood and furniture industry in Damietta remains promising?

- One of the most important reasons is the quality of the furniture products and its compatibility with the global development of this industry. Damietta furniture has been found on the export map for years, competing with world production and surpassing it.
- The human capital in Damietta is very skilled and talented in the wood and furniture industry compared with other labourers in Egypt because most of the people in Damietta are oriented by a relationship to the furniture industry. This industry employs more than 100,000 workers.
- SMEs in wood and furniture in Damietta are considered as a cornerstone for the Egyptian economy. There are more than 35 thousand small workshops and some medium factories. In addition, the production of large factories in Damietta represents about 15% of the export production. While the production of the small and medium workshops represents about 85%.

- It was found that one of the most important reasons for this boom is the entry of the modernization program in Damietta and the operationalisation of more than 10 new factories in the ‘new city of Damietta’ (part of the Damietta governorate) and other factories that are still under construction.
- The Damietta governorate has permanent exhibitions for the furniture industry which are considered one of the most reliable income sources for furniture firms and also the government.

There are some factors that make the wood and furniture in Damietta a very promising industry such as the high quality of their furniture products. Equally important is the human capital in Damietta, this is unique because they are such talented and skilled craftsmen. Furthermore, the important role of SMEs works in the furniture industry in Damietta. In addition, there are some governmental and non-governmental support programmes enhancing them, such as the modernization programme and having permanent exhibitions for the furniture industry in Damietta.

Theme three: Damietta entrepreneurs, firm resources and networks

Entrepreneurs are considered the key to the success of the furniture industry in Damietta. In fact, entrepreneurs possess important characteristics that help firms’ succeed. Amongst these characteristics are: creativity, flexibility, motivation, open-mindedness and have a clear vision.

In addition, most of the furniture firms in Damietta are considered as a family businesses however only the entrepreneurs have sufficient motivation to access international business.

'What are the principle resources of the furniture industry in Damietta?'

Resources are very important to the wood and furniture industry in Damietta, however, the main raw material of this industry is the natural wood, which is unavailable due to the lack of natural forests in Egypt. Therefore, the industry depends on importing most of its wood from abroad. Indeed, this industry depends on different types of resources, some of these being financial resources, businesses are mostly self-financed, some require new technology, clusters and workstations etc. To clarify, the focus group members agreed that:

> *All firm resources are important for the industry of furniture in Damietta. However, human resources are considered the most vital resources to this industry. These resources are unique and important to this industry in two ways, the first is the great importance of skilled and talented labour working in furniture in Damietta and on the other hand the accumulative experience of the entrepreneurs, which is acquired from family and friends working alongside them in this industry.*

'Why is human capital unique in the wood and furniture industry in Damietta?'

The Egyptian furniture industry is one of the most promising industries that depends heavily on advancement and economic development within Egyptian society. The furniture industry is one

of the industries that absorbs a large number of workers, especially in Damietta, where generations inherit this craft from one another.

Human capital in Damietta can be characterised by:

1. *Skill, accuracy, experience, and love of work.*
2. *Recognize and respect the value of work.*
3. *The ability to simulate and imitate.*
4. *Proximity of the workplace to the worker's residence, where the workshops are mostly located under the houses, and in all the streets in Damietta.*
5. *The ability to execute all designs and decorations, however difficult they may be.*
6. *The ability to manufacture quantities ranging from one piece to thousands of different pieces and the ability to deliver in a short period of time.*
7. *7. Lower labour cost, which is cheaper than European countries by up to 14 times and is cheaper than the USA by up to 18 times.*

According to networking, firm networking in the furniture industry in Damietta is very crucial because it is considered to be one of the most vital sources of information for this industry.

> *People in Damietta governorate are mostly working in family businesses who are dependent on trust of the family members and close friends, however they do not give much information about the furniture designs to outsiders, especially those from Damietta, because they have the ability to just see a new design and copy it.*

There are many network connections in the furniture industry in Damietta such as suppliers, distributors, financial agencies, governmental agencies, customers, etc. indeed, network connections are considered as a type of relationship that leads to sharing a great deal of information between network members in an environment of mutual trust and commitment.

> *Furniture firms in Damietta principally rely on their very close relations or connections to acquire trusted information. This information is gained from family members or from trusted friends. The second stage is relying on some official or formal networks, such as some governmental networks which organise and manage some international exhibitions. In addition, one of the most important relationship connection is between those who build in the international markets, giving these furniture firms some stability in the internationalisation process.*

Theme four: internationalisation

Firstly we discussed this question 'what is the main internationalisation approach for furniture products in Damietta?' This is to indicate the most compatible internationalisation theory with the furniture industry in the environment of Damietta. They agree that:

- *Very few furniture firms in Damietta are considered as being born global, while the vast majority of them follow the traditional ways for*

> *internationalization. Indeed, most of the wood and furniture firms in Damietta are considered as traditional SMEs with limited financial resources and most of them are self-funded. In addition, most of these SMEs' owners do not have enough enthusiasm to take international risks because they are afraid to lose everything they have. Therefore, they mostly depend on the local market and gradually access the international one.*

The focus group members generally agreed that most of the furniture firms in Damietta mainly follow a gradual access process to the international markets because they are still a classic or traditional industry in Egypt and these firms are generally viewed as smaller firms with a shortage of finance and who are risk averse.

Indeed, there is much need to understand the internationalisation of furniture firms in Damietta. Therefore, the following section will use a SWOT analysis to deepen the understanding of this point. SWOT analysis has four main parts: the first two parts are categories as internal factors that contain the strengths and weaknesses that affect the internationalisation of the furniture industry in Damietta. The second two parts are categories as external factors that contain the threats and opportunities that affect the internationalisation of the furniture industry in Damietta.

'What are the Strengths that enhance the furniture industry in Damietta to access international markets?'

Regarding the opportunities that help wood and furniture products to access international markets will be summarised in the following points:

- *'Labour skills and talents, marginally lower labour cost, very good of quality of furniture product, entrepreneur or firm owner experiences, strong formal and informal networks and marginally lower transport cost'*

The previous part discusses the main factors that encourage smaller wood and furniture firms in Damietta to access international markets. Most of these factors were discussed earlier in this chapter. Indeed, the most significant factor is the effectiveness of the manpower and their talent and skills in designing or producing wood products. This manpower is also considered inexpensive when compared to its European counterparts. In addition, their wooden products are considered to be of a high quality and durability. Equally important are two other factors that enable smaller firms producing furniture to access international markets, which are their experience coupled with strong network connections for entrepreneurs or the firm owner's experience. Finally, another positive point is the slightly lower transport cost. Damietta is characterised by lower costs and times of shipment than its counterparts in some other exporting countries for its proximity to its port from the European ports. In comparison to the shipping

time for the European countries between Damietta and China, the shipping time for Damietta ranges from 5 to 6 days while for China it is more than 30 days.

'What are the main weaknesses or obstacles for furniture SMEs in Damietta to access international markets?'

- Raw materials: Wood is the major factor behind the construction of the furniture industry and Egypt is a major importer of wood. The reason behind these imports is that Egypt and the Arab countries lack natural wood resources due to the absence of natural forests; however, this is a burden on the budgets of these countries in hard currency.
- Finance: governmental funding, grants, and loans usually go to larger firms with little going to smaller firms albeit the smaller firms are considered to be at the core of the furniture industry in Damietta.
- The furniture industry in Damietta still relies on the efforts of individuals, despite the fact that Egypt has the potential to turn this sector into a national project that could be adopted by both the private sector and the state, thus contributing to the transformation of Egypt into an attractive centre those with funds seeking investment opportunities, these could turn Egypt into a major exporter to its surrounding markets such as in Africa and Arabia.
- The Egyptian manufacturer bears customs duties ranging between 30% and 40% in the form of duties and taxes on imported production input that are not recovered when the

completed product is exported, while many other countries provide considerable support for the development of their local furniture sector.

'What are the main opportunities for furniture SMEs in Damietta to access international markets?'

- Increasing international access to the Arab countries: The Arab countries afford many opportunities such as being closer in culture, language and distance. Morocco, for example, is considered as having a very good opportunity for exporting furniture, as Morocco has many forests, but the furniture industry there is not as good when compared to Egypt.
- Increasing international access to Africa: Africa is the second largest continent in terms of area and population after Asia. Therefore, Africa is considered a very promising market with some opportunities such as close proximity and some cultural connections.
- Increasing international access to Europe: exporting wooden furniture to Europe is very challenging, especially in Western Europe, because there is great competition, especially with Italy, which has captured about 10% of world furniture production. On the other hand, Eastern Europe may be considered as a very good opportunity for international access. For example, Russia is one of the largest timber exporters in the world, and wood is the next commodity after wheat in the list of Russian exports to Egypt. Russia depends on imported furniture. Therefore, making a partnership linking Russian timber exports to Egypt, and the

direct export of the Egyptian furniture industry to Russia, will lead to the recovery of the furniture industry in Egypt and will benefit the Russian consumer by obtaining the same commodity, but at lower prices.

- Interest in participating in international exhibitions, that are considered as the best marketing window in light of increasing global competitiveness, and the availability of opportunities for a large number of exhibitors, where offers are received to conduct export transactions, thus opening the way for the exchange of modern technology and advanced exchange of experiences and knowledge in the field of the furniture industry. There are some important international exhibitions such as ‘Furnex’ and ‘The Home' that are believed to be some of the most important exhibitions in Egypt, that are held for marketing and export of furniture. In addition, international exhibitions held outside Egypt such as the Paris Maison&Objet exhibition in France, the Milan International Exhibition of Italian furniture, and Birmingham National Exhibition Centre in the United Kingdom.

‘What are the main threats to furniture SMEs in Damietta to access international markets?’

There are some significant threats affecting the wooden furniture industry in Damietta, which are summarised in the following points:

- Very strong competition in Egypt from international competitors, especially from China nd Turkey, they can manufacture products for the Egyptian market at cheaper prices but of lower quality than the Egyptian product (weak materials but good finishes).
- The increasing cost of raw materials (wood, paint, accessories etc.), especially following the rise in value of foreign currencies that doubled after the liberalization of the exchange rate strategy in Egypt, as one of the procedures to improve the economy of Egypt
- Lack of quality of input and industries feeding into the furniture industry from local suppliers, in a way that is not commensurate with the requirements of customers abroad. This drives the producers to rely more and more on importing of raw materials, especially accessories, which ultimately increases the cost of the final product and reduces their competitiveness abroad.
- The continuation of the period of political and security instability in Egypt and other Arab countries has adversely affected the industry and the export process, where the closure of ports and creation of roadblocks along with the disruption of land and sea transport, the proportion of exports to Libya, Tunisia, Algeria and other countries decreased in 2010-2011 due to the Arab spring revolutions.
- Lack of attention to international standards for the furniture industry, which is critical to the international market criteria.

The previous section discussed the first phase of this study, which is the qualitative method, by using a focus group technique. This section explored other important points such as the reasons for choosing this particular technique and the steps taken to achieve it. The section concluded with full details of the focus group discussions and outcomes. The following section will discuss the second phase of this study, which is the quantitative research method, using a questionnaire technique.

5.7 Phase two: Quantitative method

The quantitative research method employed here is related to a positivist research paradigm. This method is widely applied in social research. The quantitative research method has the ability to investigate a large number of cases, and also has the ability to generate results (Cavana et al., 2001, Sekaran and Bougie, 2016, Veal, 2005). In this study, the author depended on a questionnaire technique as phase two of the research methods.

5.7.1 Why questionnaires?

A questionnaire was a very suitable technique for this study for several reasons:

- A questionnaire is considered to be a highly efficient and structured data collection tool (Bryman and Bell, 2015, Sekaran and Bougie, 2016).
- It increases the ability to generate data and results (Bryman and Bell, 2007, 2015).

- A questionnaire is considered to be the most widely used data collection technique in social research, especially in business research (Saunders et al., 2009, Sekaran and Bougie, 2016).
- A questionnaire is considered to be one of the quickest and cheapest tools for collecting data (Bryman and Bell, 2011, 2015).
- A questionnaire has the ability to investigate a large number of participants or cases (Bryman and Bell, 2011, Sekaran and Bougie, 2016).

This study, therefore, shows that a questionnaire was the most appropriate tool to collect data in phase two to answer the research questions and to successfully achieve the research purpose.

5.7.2 The process of the questionnaire design

Some important design considerations when designing a questionnaire are that it should be clear, simple, reliable and valid (Bryman and Bell, 2007, Saunders et al., 2009, Veal, 2005). The questions of the survey should be clearly understood and easy and simple to read and understand. In addition, the questionnaire should present the importance of the relative implications of the research project. Therefore, any questions soliciting irrelevant and unnecessary information should be removed from the questionnaire. The following section discusses some steps for questionnaire design (Bryman and Bell, 2011, 2015, Elshaer, 2012, Malhotra, 2008, Sekaran and Bougie, 2016).

1- Identify the information needed

The current study aimed to investigate the impact of internationalisation on entrepreneurship and networks on SMEs' performance. Therefore, all the information that was required was collected and has been presented in Chapter Two. This enabled the author to identify some important questions regarding the research area. These questions were modified and reduced in the discussions in the focus group.

2- Identify the content of questions

Each part of the research questionnaire should serve the aims and objectives of the research. Therefore, the questions in a questionnaire should be presented in such a way as to maximise the benefits of getting the most relevant data for the research purpose. The irrelevant questions or questions having less importance should be eliminated for the reasons of accuracy and clarification. (Bryman and Bell, 2011, Malhotra, 2008).

3- Determine the questionnaire structure

The questionnaire should be presented in a good, clear structure. A good questionnaire structure has several benefits, most notably to encourage the respondents to complete it. Additionally, a clear questionnaire structure design facilitates the research analysis process from data entry to obtaining the outcome (Bryman and Bell, 2015, Malhotra, 2008, Saunders et al., 2009, Sekaran and Bougie, 2016).

4- Identify the question wording

This step is particularly important when working in multiple languages. The original instrument was developed and written in English, while the main respondents of this research were Arabic native speakers. Therefore, the original questionnaire design in English was translated into Arabic by some experts in Egypt who had some relationship to Egyptian industry, then these were reviewed by academics in Egypt with relation to SMEs and the industrial area (Elshaer, 2012, Malhotra, 2008, Sekaran and Bougie, 2016).

5- Questionnaire order

The questionnaire design must reflect the research purpose. Therefore, the questionnaire was designed to start with some simple questions, such as the job title and the number of employees. Personal information was put in the final part as additional information because this might have been sensitive for some participants. The questions in parts two and three concerned the independent variables for entrepreneurship and network factors, while parts four and five were concerned with the dependent variables: the degree of internationalisation and SMEs' performance. Finally, part six focussed on the entry choice of SMEs.

6- Specify the questionnaire layout

This questionnaire was divided into several parts. It started with a brief introduction to the research aims and objectives and the researcher's contact details, for use if there were any concerns about the research or about the questionnaire.

The first part contained five multiple-choice questions regarding background data about the enterprise, such as the job title, number of employees, SMEs paid in capital and the SMEs years since establishment. The second part contained some Likert scale questions regarding entrepreneurship factors, which contained questions about International Entrepreneurial Orientation, Entrepreneur's International Experience, and Human Capital. The third part contained some Likert scale questions regarding network factors, which had some questions relating to Social Networks, Governmental Network, and International Networks. Part four contained some Likert scale questions relating to the degree of internationalisation factors. Part five contained some Likert scale questions relating to the performance of SMEs. Part six contained some multiple-choice questions regarding the choice of entry mode. Finally, part seven contained four multiple-choice questions regarding some additional information, such as age, gender, and work experience and education level. The questionnaire ended with an optional question offering the participant the chance to receive a free copy of the executive report (in which case they had to give their correspondence details).

7- Presenting the questionnaire

The initial structure of the questionnaire included 73 items to measure the study constructs (27 to measure entrepreneurship variables, 24 to measure network variables, 12 to measure DOI variables and 10 to measure performance variables). In order to ensure content validity the questionnaires were sent to people from the previous focus group, in addition to some research academics from business schools in the universities of Birmingham, Bradford, Keele and the Business School of Cairo University, the latter had more experience with the Egyptian environment (especially since the dramatic political and economic upheaval of 2011). The received comments were taken into consideration, which enabled the author to reduce the number of questions making the questionnaire much more concise and directly related to the Egyptian environment. The total number of items of the final questionnaire was reduced to 44 questions (16 to measure entrepreneurship variables, 15 to measure network variables, 7 to measure DOI variables and 6 to measure performance variables).

5.8 Ethical considerations

Numerous ethical issues should be taken into consideration in any research strategy. Ethical issues are considered as the key principles that should be followed to protect the rights of research participants (De Vaus, 2001, Saunders et al., 2009, Trochim and Donnelly, 2007). Some of the adopted ethical considerations are explained below.

5.8.1 Voluntary participation

This point means that the participants were not forced to take a part in this research and they were totally free to participate. Participants were fully informed that participating in this research was voluntary and that they had the right to withdraw at any time without giving a reason, and that no harm or negative outcome would result from their participation (De Vaus, 2001, Veal, 2005).

5.8.2 Informed consent

To emphasize, it was very clear that the author mentioned that all participants were free to participate. In addition, all the information about the study, such as a brief summary of the purpose and the importance of the study, were clearly mentioned.

5.8.3 Risk of harm

This ethical principle means that the research strategy should not put the people who participate in it at any risk of physical and psychological harm. However, the purpose of this research study did not carry any risk of harm to any participant (Trochim and Donnelly, 2008).

5.8.4 Confidentiality

With regard to protecting the identity of participants, they were informed that any data they provided would be treated confidentially and that only the researcher would have the right to

use their data in this research study, and that no one else had the right to access it (Trochim and Donnelly, 2008).

5.8.5 Anonymity

It is important that participants remain as anonymous as possible during a research study, especially in the survey (Trochim and Donnelly, 2008). The questionnaire was collected and compiled with anonymity for the participants from the data entry stage.

5.9 Research measures

Likert scales were used to measure the main research constructs because they are applicable interval scales that measure behavioural variables (El-Gohary, 2009, Rugman and Hoon Oh, 2011). Likert scales are very popular in social science research. They have several advantages, such as being much more time efficient than other scales. Secondly, they are easy to use for participants because they are less complicated. Thirdly, it has been noted from previous research that questionnaires are more likely to be completed by respondents when Likert scales are used (McIntyre and Ryans, 1977, Tang, 2007). A five-point Likert scale was used, rather than the seven-point scale because it was time-conscious and the five-point Likert scale is more amenable to participants (El-Gohary, 2009, El-Kilany, 2014, Tang, 2007).

There were eight main constructs in this study: International Entrepreneurial Orientation, Entrepreneur's International Experience, Human Capital, Social Network, Governmental Network, International Network, Degree of Internationalisation Factors and Performance of SMEs. All the study variables were considered as latent variables, which required some scale measure to test the terms because they cannot be measured directly (Field, 2009). All the measures of the research variables were developed and modified from the previous literature and from the exploratory study. All the research measures were designed as shown in Table 5.1:

Table 5-1: Research measures

Constructs	Items	Source
Entrepreneurship Factors		
International Entrepreneurial Orientation	Our firm puts strong emphasis on innovation instead of focusing on marketing current products.	Adopted from: - (Danny Miller, 1983) - (Covin and Slevin, 1991) - (Covin and Slevin, 1989) - (Lumpkin and Dess, 1996) - (Runyan et al., 2008) - The research exploratory study
	For the last 3 years, our firm has produced many new wood and furniture products.	
	The changes in new products in our firm are quite dramatic.	
	Our firm normally engages in aggressive action with competitors.	
	In general, our firm adopts a very competitive posture to beat the competitors.	
	In general, our firm has a strong emphasis on high-risk projects with uncertain returns.	
	In case of insecure decision-making situations, our firm adopts an aggressive position to increase the chance of exploiting potential opportunities.	
	Believe that owing to the nature of the environment, bold, wide-ranging acts are necessary to achieve my firm's objectives	
	The more entrepreneur international experience, the more international activities will be.	Adopted from:

Constructs	Items	Source
Entrepreneur's international experience	Wood industry is required to have considerable experience to conduct international activities.	- (Oviatt and McDougall, 1994) - (Ucbasaran et al., 2003) - The research exploratory study
	Our international decisions depend a lot on our international experience.	
	We will conduct internationalisation activities when we have enough international experience	
Human Capital	We have good, qualified and skilled international staff in our enterprise.	Adopted from: - The research exploratory study. - (Davidsson and Honig, 2003) - (Balan and Lindsay, 2010)
	It is possible to get the required human resource needed for conducting international activities.	
	Our staff all receive extensive formal skills training in areas that are important to our business.	
	Our staff are motivated to support internationalisation activities	
Network Factors		
Social Network	We conduct international activities depending on the knowledge gained from our personal and social networks.	Adopted from: - The research exploratory study. - (Johanson and Vahlne, 1977) - (Johanson and Mattsson, 1987) - (Johanson and Vahlne, 2009)
	We believe that information and knowledge provided to us from our social network is very important in international activities.	
	We trust the internationalisation knowledge of our social network partners.	
	We were very committed to our social network to conduct internationalisation activities.	
	We were quite willing to make long-term investment in our relationship with social network partners to improve our internationalisation activities.	
Governmental Network	We conduct international activities depending on the knowledge from the governmental network.	Adopted from: - The research exploratory study. - (Johanson and Vahlne, 1977) - (Johanson and Mattsson, 1987) - (Johanson and Vahlne, 2009)
	We believe that information and knowledge provided to us from the governmental network is very important in international activities.	
	We trust the internationalisation knowledge of governmental network partners.	
	We were very committed to governmental network to conduct internationalisation activities.	
	We were quite willing to make long-term investment in our relationship with governmental network partners to improve our internationalisation activities.	
International Network	We conduct international activities depending on the knowledge from the international network.	Adopted from:

Constructs	Items	Source
	We believe that information and knowledge provided to us from the international network is very important in international activities.	- The research exploratory study. - (Johanson and Vahlne, 1977) - (Johanson and Mattsson, 1987) - (Johanson and Vahlne, 2009)
	We trusted the internationalisation knowledge of international network partners.	
	We were very committed to the international network to conduct internationalisation activities.	
	We were quite willing to make long-term investment in our relationship with international network partners to improve our internationalisation activities.	
Internationalisation		
Degree of Internationalisation	Are you satisfied with the sales growth of your business in the last three years?	Adopted from: - The research exploratory study. - (Zahra and Covin, 1995) - (Zahra and Garvis, 2000) - (Lei Li, 2007) - (Ramaswamy et al., 1996)
	Are you satisfied with the profitability growth of your international business in the last three years?	
	Are you satisfied with the firm's internationalisation development over the last three years?	
	Customers have been satisfied in international markets over the last three years.	
	Customer retention in international markets	
	International markets represent a very important part of our business.	
	We are planning to expand our international markets.	
Performance		
Performance of SMEs	Average Return on Investment (ROI) over the last three years.	Adopted from: - The research exploratory study. - (Zahra and Covin, 1995) - (Zahra and Garvis, 2000) - (Lei Li, 2007) - (Ramaswamy et al., 1996)
	Average Return on Sales (ROS) over the last three years.	
	Average Return on Assets (ROA) over the last three years.	
	Are you satisfied with the overall performance of your firm over the last three years?	
	Are you satisfied with the overall performance of your firm compared to the performance of your competitors?	
	Customers are satisfied with the overall performance of your firm over the last three years?	

The next part of this study discusses measurements dimension testing to ensure that these measures were valid and reliable for this study and for future studies.

5.10 Reliability, validity and multicollinearity issues

5.10.1 Reliability

Research reliability is considered as the degree to which the research measurement instrument is error-free (Cooper and Schindler, 1998, Field, 2009). Therefore, the mechanism of research reliability is dependent on the average correlation among the concerned research dimensions with internal consistency. All measures used in this study should be reliable and their validity assessed for future research. The main purpose of this stage was to ensure that all research measures within the study, sufficiently and significantly, reflected the research variables (El-Gohary, 2009, Barbara G Tabachnick et al., 2001). An internal consistency approach was used to clarify the research measurements through two of the most popular reliability indexes, especially in social science studies, which are item-to-total correlation and coefficient alpha (Cronbach alpha) (Cooper and Schindler, 1998, El-Gohary, 2009, Barbara G Tabachnick et al., 2001).

5.10.1.1 Item-to-total correlation

The item-to-total correlation test is considered to be one of the most important and generally accepted reliability measures in social science studies. This correlation test depends mainly on the determination of the relationship of a specific variable to the rest of the variables in a particular dimension. The item-to-total correlation test is generally used to make sure that all

measured items making up a particular dimension share a common core. The item-to-total correlation was tested by using the SPSS statistical package.

The cut-off point item-to-total correlation test is calculated using only the positive relationships between variables and is confirmed by checking the correlation coefficient and the items with an item-to-total correlation which should be 0.3 or more (El-Gohary, 2009). Equally important, an item-to-total correlation should be less than 0.9 to make sure that there is no multicollinearity between the variables. Tabachnick, Fidell et al. mentioned that 'Either bivariate or multivariate correlations can create multicollinearity or singularity. If a bivariate correlation is too high, it shows up in a correlation matrix as a correlation abouve .90' (2001:83).

Table 5-2:Item-to-total Correlation Matrix

	IEO	EIE	HC	SN	GN	IN
IEO	1.000	.828	.824	.784	.757	.834
EIE	.828	1.000	.867	.830	.809	.799
HC	.824	.867	1.000	.863	.816	.871
SN	.784	.830	.863	1.000	.852	.859
GN	.757	.809	.816	.852	1.000	.785
IN	.834	.799	.871	.859	.785	1.000

It can be clearly seen from the item-to-total correlation matrix table that the values of correlation between variables were between the cut-off point values (from 0.3 to 0.9), which indicated that

there was sufficient correlation among variables, as represented by correlations above 0.30 and that extreme correlations above 0.90 were not found.

5.10.1.2 Cronbach alpha coefficient

One of the most important statistical techniques used for estimation of reliability is the coefficient alpha technique (Cooper and Schindler, 1998, El-Gohary, 2009), a 'calculation of the mean reliability coefficient for all possible ways of splitting a set of items into two halves' (El-Gohary, 2009: 44). In detail, the higher the alpha score, the greater the internal reliability of the research measurement scale, while a low alpha score indicates the unreliability of the research measurement scale.

It is very important to use the coefficient alpha technique to assess the reliability of the study measurement scales for various reasons. Firstly, the Cronbach alpha coefficient is a widely accepted, and usable test of reliability in social science studies (El-Gohary, 2009, Peter, 1979). Secondly, this study used an equal intervals scale by using a Likert scale in the questionnaire. Cronbach alpha is considered to be one of the most applicable tests for these kinds of scales to measure the research variables (Peter, 1979). Thirdly, the Cronbach alpha coefficient will make sure that the study measurement scales were reliable, which gave the study a more meaningful explanation of the area of the internationalisation of SMEs (Field, 2013, Robert L Miller, 2017).

A Cronbach's alpha score or cut-off point from 0.5 to 0.6 is recommended as being acceptable, while any score more than 0.6 should be much more sufficient and acceptable according to (Abu-Bader, 2016, Arbuckle, 2010b, Nunnally, 1978), but other researchers are more stringent. Van de Ven and Ferry indicate that the contended Cronbach alpha score should be 0.7 or higher (Van de Ven and Ferry, 1980), while Bryman and Bell stated that the Cronbach alpha value should be 0.8 or higher for more internal reliability of the research measurement (Bryman and Bell, 2007, Elshaer, 2012, Robert L Miller, 2017). The following table illustrates the Cronbach's alpha value of the research study.

Table 5-3: Reliability analysis

Reliability Statistics	
Cronbach's Alpha	N of Items
0.866	44

As is clearly apparent in Table 4.2, the Cronbach's alpha value was 0.866, which was highly acceptable (Bryman and Bell, 2007).

To confirm and ensure the reliability of all research variables, the coefficient alpha was calculated for all the research variables (44 items in total) to determine the degree of correlation for each item.

Table 5-4: Reliability analysis for all items

Items	Cronbach's Alpha	Total Number of Items
International Entrepreneurial Orientation	0.772	8
Entrepreneurial International Experience	0.814	4
Human Capital	0.853	4
Social Network	0.839	5
Governmental Network	0.766	5
International Network	0.829	5
Degree of Internationalisation	0.851	7
SMEs Performance	0.818	6

It is clearly apparent in Table 4.4, the Cronbach's alpha value for all items ranged from 0.76 to 0.85, which was highly acceptable (Bryman and Bell, 2007, 2011). In addition, we can depend on the measurement scales of this study because the coefficient of the internal consistency or the internal reliability was acceptable when measured by Cronbach's alpha technique (Bryman and Bell, 2007, El-Gohary, 2009, Elshaer, 2012).

5.10.2 Validity

Research validity refers to the accuracy levels of the research measures, which reflects the specific research concepts (Cooper and Schindler, 1998, Sekaran and Bougie, 2016). Research validity is mainly concerned with ensuring that the research construct or concept is reflected by the research measurements.

Research validity can be seen in three ways, which are content, criterion and construct validity (Punch, 2013). Firstly, content validity is concerned with ensuring that the research measures are adequate and cover all variables in the research (Sekaran and Bougie, 2016). The entire study used mainly the questionnaire method, and the measures had been identified in previous research, as highlighted in Chapter Three. These collective measures were used for the study constructs internationalisation and performance of SMEs. In order to ensure the content validity, the questionnaire was sent to people in the previous focus group in addition to some research academics from numerous business schools, as previously mentioned.

Secondly, criterion-related validity refers to the ability of the research measures used for prediction (Cooper and Schindler, 1998, Sekaran and Bougie, 2016). Finally, construct validity is one of the most common validity assays in social science. Construct validity refers to what extent the research measurements conform to theoretical expectations (Cooper and Schindler, 1998, Elshaer, 2012). This means that the research measurements should be linked carefully with the literature and the research theoretical framework to ensure that there is no erroneous conflict between the measurements and the established literature (Cooper and Schindler, 1998).

5.10.3 Multicollinearity

Tabachnick, Fidell et al. mentioned that multicollinearity is considered to be a 'problem with a correlation matrix that occurs when variables are too highly correlated' (Barbara G Tabachnick

et al., 2001:82). Two ways were considered to examine the multicollinearity. The first was to examine the variables of the correlation matrix, and the second was the computation of the variance inflation factor (VIF). The first one was tested early in the research (8.4.1.1 Item-to-total correlation), where it was recommended that the values of correlation between variables are between the cut-off point values (from 0.3 to 0.9), meaning there was no multicollinearity between the variables in this study.

With regard to the variance inflation factor (VIF), Yang and Peterson stated that 'Variance inflation factors are a scaled version of the multiple-correlation coefficients between one variable and the remainder of the independent variables' (2004:813). The VIF process works as 'each independent variable is modelled as a dependent variable and all remaining independent variables are regressed against the dependent variable' (Radulovich, 2008:163). The tolerance value is very relative and important to calculating the VIF value. The tolerance equation is simply ($1-r^2$) and the cut-off point to avoid multicollinearity is 'simply a cut-off value typically set between 0.001 and 0.01' (Craney and Surles, 2002:394). The equation of VIF was calculated as (1/tolerance) (Hair et al., 1998, Hair et al., 2010). The cut-off point of VIF is a range between 5 to 10 (Stine, 1995).

Additionally important, some researchers have indicated that multicollinearity happened when VIF is above 10. This was confirmed by Hessels when she stated that 'multi-collinearity tests

using VIFs indicate that multicollinearity is not a concern since no VIF above 10 is observed' (Hessels, 2008:47). The following section will examine multicollinearity by using VIF for all the independent variables. In other words, any independent variable having a VIF value of 10 or above should be removed, to avoid the multicollinearity effect. Therefore, all the independent variables in this study were examined by VIF measurement to judge the effect of multicollinearity.

Table (4.5) presents the estimation results of VIF, which was calculated by using the SPSS statistical package. Model (1) estimates the results of VIF when IEO was modelled as the dependent variable. The highest VIF was 6.747, with a tolerance value of 0.161. As a result, there was no multicollinearity effect because the VIF above 10 is observed. Model (2) shows a tolerance value of 0.152 and a VIF value of 6.570, which means that there was no multicollinearity within these variables. Model (3) presents a tolerance value of 0.152 and a VIF value of 6.570, which indicates that multicollinearity was not a concern. All the remaining models (from 4 to 6) were dealt with by the same process. We found that the highest VIF value within all these models was (VIF = 6.195), which was not above the cut-off point of 10. Therefore we could say clearly that there was no effect of multicollinearity, or the effect was very low.

Table 5-5:the estimation results of VIF

Model 1: Dependent Variable: IEO		
Independent Variables	**Collinearity Statistics**	
	Tolerance	**VIF**
EIE	.161	6.195
HC	.148	6.747
SN	.209	4.775
GN	.235	4.255
IN	.196	5.111
Model 2: Dependent Variable: EIE		
Independent Variables	**Collinearity Statistics**	
	Tolerance	**VIF**
HC	.152	6.570
SN	.191	5.243
GN	.278	3.599
IN	.193	5.171
IEO	.229	4.373
Model 3: Dependent Variable: HC		
Independent Variables	**Collinearity Statistics**	
	Tolerance	**VIF**
SN	.214	4.683
GN	.237	4.223
IN	.194	5.155
IEO	.231	4.336
EIE	.167	5.981
Model 4: Dependent Variable: SN		
Independent Variables	**Collinearity Statistics**	
	Tolerance	**VIF**
GN	.243	4.118
IN	.172	5.813
IEO	.258	3.881
EIE	.166	6.038
HC	.169	5.924
Model 5: Dependent Variable: GN		
Independent Variables	**Collinearity Statistics**	
	Tolerance	**VIF**

IN	.171	5.858
IEO	.229	4.359
EIE	.191	5.224
HC	.149	6.732
SN	.193	5.189
Model 6: Dependent Variable: IN		
Independent Variables	**Collinearity Statistics**	
	Tolerance	**VIF**
IEO	.262	3.820
EIE	.183	5.476
HC	.167	5.995
SN	.187	5.345
GN	.234	4.274

5.11 Sample design

The research framework of the study regarded the wood and furniture industry in Damietta Governorate, Egypt. In fact, it was extremely difficult to study all the population frame for this study. It was empirically inefficient because it needed more time and a bigger budget to be able to finish a project having around 1800 SMEs. Other exceptional difficulties were faced due to the fieldwork being conducted in Egypt from the period of 2012 and 2013, which was fraught with political instability, that undermined all forms of research undertaken in the country (UNIDO, 2014). Research sampling has been described as 'The process of surveying only a sample of the whole population to make inferences about the population' (Aaker et al., 2008: 760). Consequently, to research and examine a sample of the population frame was considered to be a very reasonable way to conduct this research. A research sample is widely common, not

only in social science but also in all types of research (Bryman and Bell, 2011, Saunders et al., 2009, Sekaran and Bougie, 2016).

There are some common steps used to design a research sample, beginning with determining the research population frame, then the sampling technique and, finally, determining the sample size, as discussed below.

5.11.1 The research population frame

The first step towards understanding the research sample is to describe and understand the research population (Sapsford and Jupp, 2006). The research population frame has been defined by several authors as 'The entire group of people, events, or thing of interest that the researcher wishes to investigate' (Sekaran, 2000: 266). Therefore, there were some characteristics which must be available in each of the SMEs for them to be considered in the research population, such as:

1- The enterprise should be a small or medium size enterprise.

2- The enterprise should be based in Damietta, Egypt.

3- The enterprise should work in the wood or furniture industry.

4- The enterprise should have some international activities.

The main aim of this stage was to select a population of SMEs working in the wood or furniture industry in Damietta, Egypt, and taking part in some international activities. Unfortunately, there was no single database providing information about these SMEs in Egypt. However, the author was able to compile this database through depending on more than one official source, such as the Ministry of Industry and Foreign Trade, the Cabinet Information and Decision Support Centre (IDSC), the Egyptian International Trade Point, the Egyptian Commercial Register, and Egypt's Information Portal.

Based on the database collected from those sources, a population frame was constructed containing information on 2163 enterprises working in the wood or furniture industry in Damietta, Egypt. This data was checked to make sure that these 2163 enterprises met the population framework. Therefore, the process of investigating, scanning and filtering was done for these enterprises. It was found that 419 enterprises were excluded from the population framework for various reasons, such as:

1- Some enterprises were classified by the databases, while in reality, they did not meet the specifications of SMEs defined in Chapter Two.
2- Some enterprises did not work in the wood or furniture industry.
3- Some enterprises worked only in some component products of the wood and furniture industry in an ancillary capacity, such as wood painting, wood glueing, nails, and accessories.

4- Some enterprises did not have any international activity.
5- Some enterprises existed in other governorates.

Therefore, our population framework, after scanning, resulted in 1744 SMEs in the wood and/or furniture industry in Damietta Governorate, Egypt that met the characteristics of the research population.

5.11.2 Unit of analysis

The unit of analysis is the unit from which information is obtained (De Vaus 1991). As the main purpose of this research was to investigate the entrepreneur and network factors affecting the internationalisation of SMEs in the wood and furniture industry in the region of Damietta Governorate, Egypt, the main units of analysis in this study were the owner of the firm, the manager, or the person who was in charge of international activities. However, this unit of analysis should be limited and shaped by the firm's characteristics:

1- The firm should be small or medium size, based on the Egyptian definition (as discussed in Chapter Two).
2- These SMEs should work in the area of wood and/or the furniture industry.
3- They should be in Damietta Governorate.
4- They should be engaged in international business activities, such as direct exporting, indirect exporting and international exhibitions.

5.11.3 Sample type

There are two main important sampling techniques: probability and non-probability, as shown in Figure 4.4. Firstly, probability sampling techniques are the type of sampling that should select randomly and each unit within the population framework should be equally likely to be selected or have the same chance of being selected. One of the major benefits of the probability sampling technique is the ability to keep sample errors to a minimum level (Bryman and Bell, 2011, Saunders et al., 2009).

The probability technique has several variations, as mentioned in Saunders et al. (2009), such as simple random, systematic, stratified random, and cluster. On the other hand, a non-probability sample is the type of sample where each unit in the population framework is not randomly selected. This technique has several variations, such as quota, purposive, snowball, self-selection, and convenience samples (Bryman and Bell, 2011, Saunders et al., 2009).

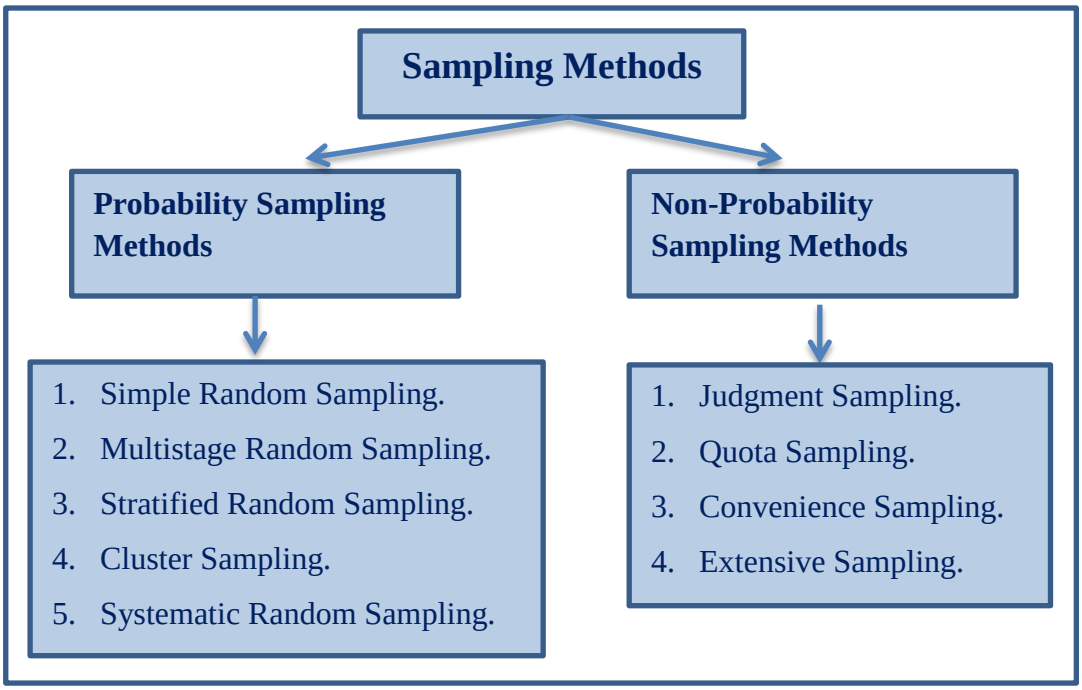


Figure 5-4: Sample types

Source: (Saunders et al., 2009)

Upon reflection, the probability samples technique seemed to be the best choice for this study because, as discussed above, it is cost and time-efficient, and it enables the researcher to reduce the sampling error as much as possible (Bryman and Bell, 2011). In detail, a simple random sample was considered to be a reasonable choice from the probability sampling technique choices. Therefore, a simple random sample was selected to be the sample type for this research (Abu-Bader, 2016, Bryman and Bell, 2011, Saunders et al., 2009, Sekaran and Bougie, 2016).

A simple random sample was suitable for this study because:

1- There was not a significant difference in the social characteristics of the population framework. In fact, most of the population framework shared some common social and demographic characteristics, such as language, culture, historical background, ethnic background etc.
2- In addition, there was not a significant difference in the geographical characteristics of the population framework. All the SMEs in the population framework existed in one region (Damietta Governorate).
3- This study did not depend on different categories. There was no need to use any other type of sampling other than the simple random sample.
4- Random sample facilitates the use of statistical models, especially structural equation modelling.

Therefore, random sampling was the most suitable choice for this study, by giving the entire population framework an equal probability of selection.

5.11.4 Sample size

The required sample size should be determined in order to reflect the research purpose and to be adequate and usable for the data analysis method used in the study (Bryman and Bell, 2011, Malhotra, 2008, Sekaran and Bougie, 2016). This research mainly used a structural equation

modelling as the main research analysis method, which is considered to be a sensitive method for the sample size (Cheung and Rensvold, 2002, Hu and Bentler, 1999).

There is no agreement about the adequate sample size, especially when using structural equation modelling. However, the literature provides some hints for a suitable sample size (Hair et al., 2010, Hooper et al., 2008). (Hair et al., 2010) suggested that a small sample size should comprise less than 100 cases, while a medium one should be 100 to 200 cases. A large sample size is one with more than 200 cases. However, Garson (1998) suggested that a sample size of more than 100 cases should be acceptable to conduct research using structural equation modelling. (Iacobucci) mentioned that: 'It is of some comfort that SEM models can perform well, even with small samples (e.g., 50 to 100). The rule of thumb considering requisite sample size, e.g., n>200 can be conservative and is surely simplistic' (2010: 92). Furthermore, there have been several academic studies using around 100 cases as a sample size while using structural equation modelling for their research (EID, 2003, El-Gohary, 2009, Sekaran and Bougie, 2016).

The sample size was calculated by using a statistical package of structural equation modelling by selecting 20% of the random sample, 'the population frame cases' (Wagner, 2011). The 20% of the population frame was randomly calculated, with the result of 362 cases. To emphasise, the sample size for this study of 362 cases is accepted as an adequate (indeed, relatively large)

and it is very suitable when using structural equation modelling, as discussed above. The sample size was chosen to represent 20% of the research population because:

1- This sample size was appropriate to achieving the requirements of all the statistical techniques used in the study.
2- This sample size was suitable to justify the time and cost limitations of the author.
3- This sample size exceeded the sample size required by Krejcie and Morgan (1970). As illustrated in Table 4.3, their sample size for a population of 1800 cases was 317, which means that the determining sample size in this table is less than our sample size of 362.
4- A sample size of 20% of the total population is accepted by most researchers within the field of study (EID, 2003, El-Gohary, 2009).

Table 5-6: Determining sample size

N	S	N	S	N	S
10	10	220	140	1200	291
15	14	230	144	1300	297
20	19	240	148	1400	302
25	24	250	152	1500	306
30	28	260	155	1600	310
35	32	270	159	1700	313
40	36	280	162	1800	317
45	40	290	165	1900	320
50	44	300	169	2000	322
55	48	320	175	2200	327
60	52	340	181	2400	331
65	56	360	186	2600	335
70	59	380	191	2800	338
75	63	400	196	3000	341
80	66	420	201	3500	346
85	70	440	205	4000	351
90	73	460	210	4500	354
95	76	480	214	5000	357
100	80	500	217	6000	361
110	86	550	226	7000	364
120	92	600	234	8000	367
130	97	650	242	9000	368
140	103	700	248	10000	370
150	108	750	254	15000	375
160	113	800	260	20000	377
170	118	850	265	30000	379
180	123	900	269	40000	380
190	127	950	274	50000	381
200	132	1000	278	75000	382
210	136	1100	285	1000000	384

Source: (Krejcie and Morgan, 1970: 608)

KMO and Bartlett's (KMO) is considered to be one of the common tests which measure sampling adequacy. The results of a KMO test could be a number between zero and one. The recommended cut-off point should be of 0.6 or higher to accept that the sample is adequate for use in the research (Field, 2009, Hair et al., 2010).

Table 5-7: KMO and Bartlett's test

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.860
Bartlett's Test of Sphericity	Approx. Chi-Square	2743.584
	df	171
	Sig.	.000

As can be seen from Table 4.4, the value of KMO was 0.860, which was considerably higher than the cut-off point of 0.6, as recommended by Field (2006) and Hair et al. (2006). Therefore, this data was adequate and satisfied the fundamental requirements for statistical analysis (Hair et al., 2010).

5.11.5 Response rate

It is found that Baruch and Haltom mentioned that:

> *'The average response rate for studies that utilized data collected from individuals was 52.7 percent with a standard deviation of 20.4, while the average response rate for studies that utilized data collected from organizations was 35.7 percent with a standard deviation of 18.8' (Baruch and Holtom, 2008: 1139).*

The survey questionnaire targeted a sample of 350 SMEs within the wood and furniture industry in Damietta Governorate, Egypt, selected randomly from a population of 1743 SMEs within the same region. A total of 147 questionnaires out of 350 SMEs' questionnaires were returned.

However, 16 questionnaires were excluded from the returned questionnaires for various reasons, such as:

1- Three questionnaires were excluded because the number of employees was less than nine, which meant that these enterprises are considered as micro firms, which was not within the study's area of interest.
2- One questionnaire was excluded because the number of employees was more than 251. That meant that this enterprise was considered to be a large enterprise firm, which was not within the study's research interest.
3- Three questionnaires were excluded because they were considered to be micro enterprises because their paid-in capital was less than 50,000 Egyptian pounds.
4- Two questionnaires were excluded because they were considered as large firms because their paid-in capital exceeded the limit of medium enterprises of 5,000,000 Egyptian pounds.
5- Nine questionnaires were excluded because they were incomplete and we could not depend on them with the structural equation modelling technique.

Therefore, the number of returned completed questionnaires was 131. Table 4.5 provides a summary of the response distribution rate. The response rate scored 38.08% (the usable response rate scored 29.16%) and was calculated based on the technique developed by De Vaus

(1991: 99) and Bryman and Bell (2003: 104). Based on these methods, the response rate was calculated according to the following equation:

$$\frac{\textit{Number of usable questionnaires}}{\textit{Total sample} - \textit{unusable or uncompleted cases of the sample}} X\,100$$

Table 5-8: Response rate summary

Total number of questionnaires	**362**
Number of completed and returned questionnaires	**131**
Unusable SMEs (regarding the factor of employees number)	**4**
Unusable SMEs (regarding the factor of paid-in capital)	**5**
Uncompleted questionnaires	**9**
Response rate	**38.08 %**

5.12 Data preparation

Preparing the data for research was conducted in several stages. The first stage was data editing, which was used to discover any errors and omissions within the collected raw data and to amend these where possible (Miller, 2017). This stage ensured that the collected raw data was sufficiently qualified to be used in the next stage, which was the data-coding for use in the analysis (Field, 2013). At this stage, each variable was given a different label with a brief description. The third stage was manually entering the coded data into the Statistical Package

for the Social Science (SPSS), version 17. The final stage was to review the data (Maclnnes, 2016, Miller, 2017).

5.13 Research analysis

The research analysis is presented in Chapter Six. Firstly, descriptive research analysis gives an overall picture of the data describing the firms as well as the data describing the individual participants in this study (Bryman and Bell, 2011). The main aim of this is to present a brief profile of the research sample. Therefore, some descriptive statistical tools, such as frequency analysis, with descriptive tables and figures, and cross-tabulations were used to describe the distribution of the research sample and to concentrate on some important data relationships, such as the data related to the SMEs' definition (Abu-Bader, 2016, Sekaran and Bougie, 2016). Secondly, the main research analysis of this study was Path Analysis, which was used by SEM with Amos software (version 22.0).

5.13.1 Why structural equation modelling?

Firstly, in the most common form of SEM models, there are two main goals: to explain the variance among a set of variables as much as possible (Tabri and Elliott, 2012), and to recognise the patterns of their covariance/correlation with the model specified (Suhr, 2008). Secondly, SEM models enable the researcher to test and estimate the linear relations between variables in the theoretical network (Marcoulides, 1998). Thirdly, it is a comprehensive statistical approach that can test hypotheses about direct and non-direct relations among a set of observed and latent

variables (unobserved) (MacCallum and Austin, 2000). Finally, it accounts for the covariation and variation of the measured variables. Models that test relationships between measured variables and latent variables can be conducted by confirmatory factor analysis, whereas models that investigate relationships among measured variables can be conducted by path analysis (Suhr, 2008).

5.13.2 The differentiation between path analysis and regression analysis

In the first place, there are some similarities between traditional analysis methods of regression and path analysis with SEM. Both require certain provisos to be valid with statistical tests, such as the assumption of a multivariate required for path analysis, and of normal distribution for regression analysis (Field, 2009, McDonald and Ho, 2002, Mulaik et al., 1989, Wagner, 2011). Both analysis methods depend on linear statistical models (Byrne, 2013a, Cramer, 1998).

On the other hand, there are some differences between path analysis and regression analysis (Badri et al., 2000, Loehlin, 1998). Firstly, one of the main differences between them is that path analysis is considered as a multivariate technique which tests multiple relationships between variables, which means that the variables in path analysis can be considered as both dependent and independent, while the variables in regression analysis should be considered to be either dependent or independent (Olobatuyi, 2006, Swamidass and Newell, 1987). Secondly, path analysis is highly flexible as compared to regression analysis (Badri et al., 2000, Loehlin,

1998). Thirdly, path analysis provides a kind of graphical language, which is a much more powerful and popular way to present complex relationships between the research variables (Badri et al., 2000, Loehlin, 1998). Finally, regression analysis offers straightforward significance tests of the relationship between the variables under study, while path analysis offers no straightforward tests, judging the model by examining some multiple tests, such as RMSEA, CFI, and chi-square (Badri et al., 2000, Olobatuyi, 2006, Oyewobi et al., 2016).

5.14 Chapter summary

This chapter started with some philosophical discussion of the underpinning research approach and strategy. A main part of the selective research strategy has been addressed, which contained two research phases. The first phase was a qualitative research strategy using the focus group technique, while the second research phase was quantitative research strategy by using the questionnaire method. This was followed by a discussion of the research measurements and some reliability and validity issues. Finally, this chapter discussed the research data through a population framework, sample design, data preparation and data analysis.

The following chapter will discuss the study research analysis. It will start with a complete discussion about the study's descriptive data and testing the research hypotheses. The main study model will be tested by using a structural equation modelling technique.

CHAPTER 6: RESEARCH ANALYSIS & HYPOTHESES TESTING

6.1 Introduction

The previous chapter discussed the research framework and the main research hypotheses in relation to this framework, whilst this chapter focuses on providing some information about the research analysis and hypotheses testing for the data collected from 131 SMEs in the wood and furniture industry in Egypt. This chapter begins by giving an overview of the data distribution by discussing the descriptive data. Frequency analysis and cross-tabulation were the most useful techniques to demonstrate the descriptive sample data. The third part of the chapter discusses the hypotheses testing, by giving mathematical support for the inferential statistics used in this study. The SEM technique was conducted, as described in the previous chapter, to test the first three hypotheses. Model fit was used to ensure and understand to what extent the collected data fitted the model. Absolute fit indices, incremental fit indices, and parsimony fit indices were the three main fit models used in this research. The final hypothesis was served by using frequency analysis and the cross-tabulation technique. The fourth part of this chapter is a brief table summary of all hypotheses testing results. Finally, a brief summary of the whole chapter is presented in the chapter conclusion.

6.2 Descriptive data analysis

This part of the chapter provides a general picture of the data, describing the firm, as well as the individual participants. The main purpose of this is to present a brief profile of the research sample. Therefore, some descriptive statistical tools, such as frequency analysis, with descriptive tables and figures and cross-tabulations were used to describe the distribution of the research sample and to concentrate on important data relations, such as the data relating to the SMEs' definition. Two main profiles will be discussed pertaining to this issue. The first being the SMEs, containing some data regarding the number of employees, the capital of SMEs, their annual sales, and their time in business. The second profile focusses on the position of the respondent, the age of the respondent, their years of working, their level of education and their gender.

6.2.1 SMEs' Profile

Number of employees

The number of employees is a key defining characteristic of SMEs. As discussed in Chapter Two, the SMEs definition used this study is one that considers 10 to 50 employees as a small firm and 51 to less than 100 as a medium one. Therefore, all necessary efforts were undertaken to ensure that all the firms within the study sample were SMEs according to the defined parameters. Therefore, the number of employees was carefully checked by calculating the frequency of these employees' categories. The employees with less than 10 or more than 99

employees were excluded from participating in the research because they were not in our sample unit of research.

As can be seen in Tables 6-1 and Figure 6-1, the majority of SMEs in the sample were small enterprises with 56 enterprises having a percentage of 41.5% of the total number of enterprises. The medium sized enterprises numbered 75 enterprises having a percentage of 55.6%.

Table 6-1: Distribution of the SMEs by number of employees

Number of employees					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1-9	3	2.2	2.2	2.2
	10-50	56	41.5	41.5	43.7
	51 to less than 100	75	55.6	55.6	99.3
	more than 100	1	.7	.7	100.0
	Total	135	100.0	100.0	

Therefore, the number of employees was carefully checked by calculating the frequency of these employee categories. The numbers of employers with less than 10 or more than 100 were excluded from participating in the research because they are not in the sample unit of research. As previously mentioned, the research sample concentrated on the Egyptian definition of SMEs. For this reason, the micro enterprises from one to less than ten employees, or large enterprises with more than 99 employees were excluded from the research sample. Therefore, three

enterprises, considered as micro enterprises, and one enterprise which was considered to be a large enterprise, were removed from our sample to meet the purpose of the study.

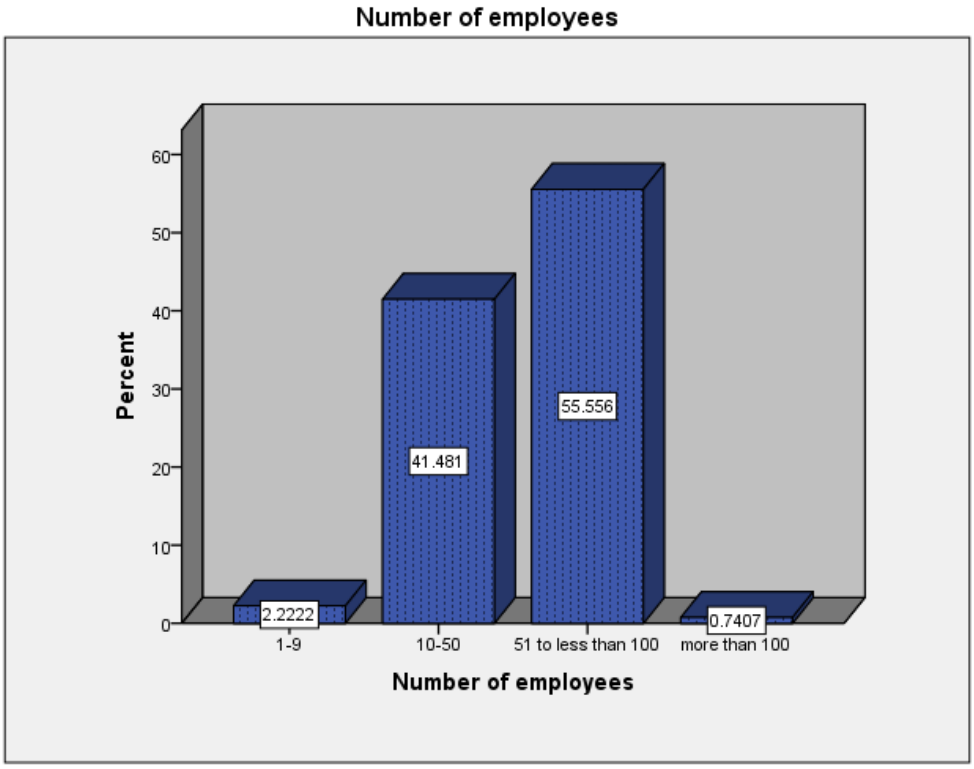


Figure 6-1: Distribution of the research SMEs by number of employees

Capital of SMEs

The capital of SMEs is equally as important as the number of employees, not only to present the descriptive characteristics of the research sample but also to make sure that the right data was collected, according to the SMEs' definition used within this research. The capital of SMEs and the number of employees together represent the two bases of the Egyptian SMEs definition.

The paid-in capital is the money provided by entrepreneur(s) or the investor(s) to start up a firm.

As can be seen in Table 6-2 and Figure 6-2, firms with paid-in capital from 50,000 –10,000,000 Egyptian pounds are considered to be in the category of small firms, with 56 enterprises having a percentage of 41.2%, while the medium size enterprises category accounted for 75 enterprises, having a percentage of 55.1%.

Table 6-2: Distribution of the SMEs by capital, in Egyptian Pounds

Capital of the enterprise					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	>50000	3	2.2	2.2	2.2
	50000 –10000000	56	41.2	41.2	43.4
	10000000 – less than 100000000	75	55.1	55.1	98.5
	more than 10000000	2	1.5	1.5	100.0
	Total	136	100.0	100.0	

To emphasize the Egyptian SMEs' definition, any amount less than or more than the definition limit was excluded. Therefore, three enterprises were considered as micro-enterprises, with less than 50,000 Egyptian pounds. In addition, there were two enterprises that exceeded the limit of medium enterprises of 10,000,000 Egyptian pounds, they were considered to be large firms.

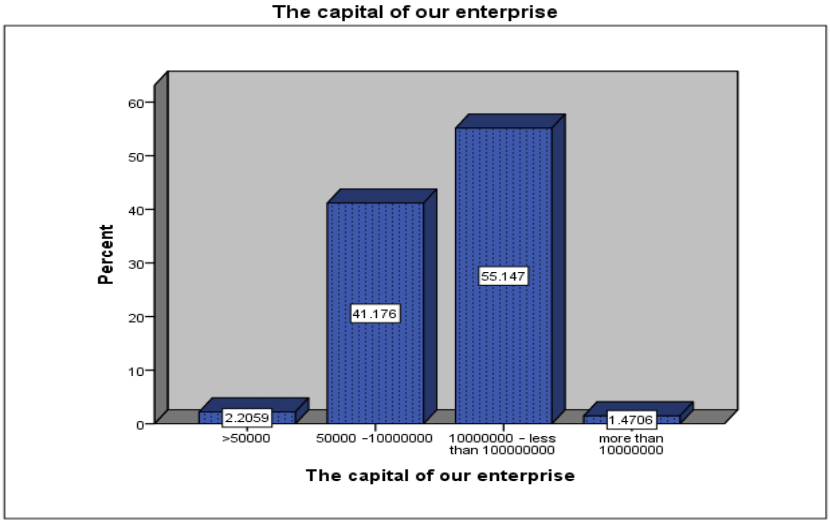


Figure 6-2: Distribution of the SMEs by capital

As can be seen from Tables 6.3 and Figure 6.3, all of the sampled firms (n=131) were considered to be SMEs, according to the Egyptian definition. Any other firms which exceeded or were below the criteria of the Egyptian SMEs definition were excluded. The following section discusses the SMEs' definition by combining the number of employees and the prepaid capital of this study. As both the number of employees and capital are fundamentally important, the cross-tabulation technique was used to get a greater understanding of the sample definition of SMEs.

Table 6-3: Number of employees and the capital of the enterprise cross-tabulation

Number of employees * The capital of the enterprise cross-tabulation				
Count				
		The capital of the enterprise		Total
		50000 – 10000000	10000000 – less than 100000000	
Number of employees	10-50	56	0	56
	51 to less than 100	0	75	75
Total		56	75	131

The cross-tabulation table and figure provide a clear understanding of the Egyptian definition, which was a combination of the two main criteria of number of employees and the capital. The SMEs' definition has two main parts, small firms and medium firms; the small size firms in the Egyptian definition should be from ten to fifty employees and the prepaid capital from 50,000 to less than 1,000,000. While the medium size firms should be from 51 to 99 employees and the prepaid capital from 1,000,000 to 10,000,000. Regarding this definition, the number of small size firms in our sample was 56 firms and the number of medium size firms was 75 firms. It is clearly shown in the following bar chart of cross-tabulation of the small and the medium size firms in this study.

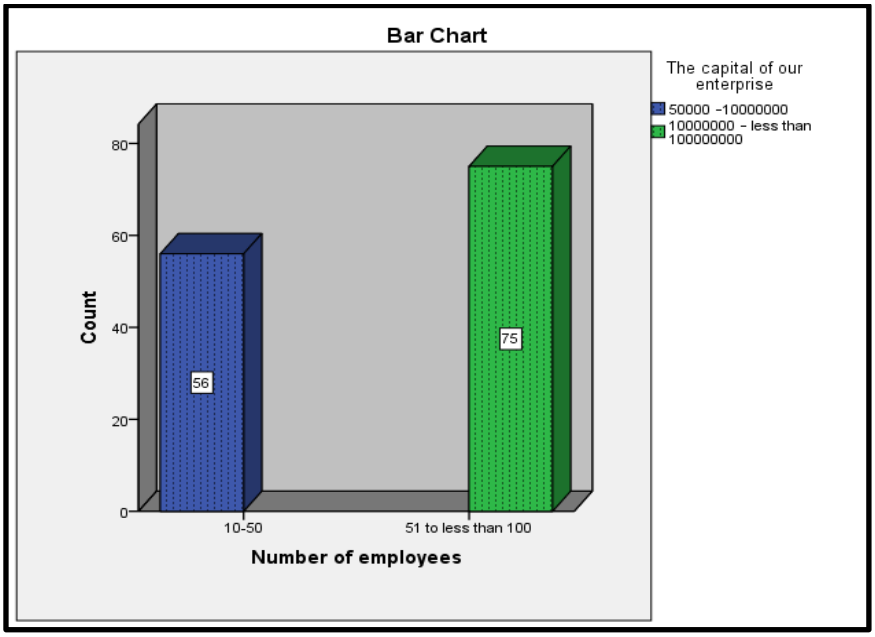


Figure 6-3: Number of employees and the capital of the enterprise cross-tabulation chart

Annual sales of SMEs

The annual sales of wood and furniture products indicate the ultimate popularity of these products and the success of the sector. Furthermore, annual sales may give some hints for future sales. Table 6.4 presents the annual sales of SMEs, in Egyptian pounds, within the study sample. Most of the SMEs (63.3%) were in the category of more than one million Egyptian pounds, whereas 30.5% of firms had annual sales of 1,000,000 – less than 3,000,000 Egyptian pounds, while the annual sales of more than 3,000,000 Egyptian pounds had a percentage of 32.8%. However, SMEs of 0.8% in the category were of less than 50,000 Egyptian pounds. In addition, annual sales of 50,000 – less than one million Egyptian pounds had a percentage of 35.8%, with

19.8% for annual sales of SMEs from 50,000 less than 500,000 Egyptian pounds and 16.0% for annual sales of SMEs from 500,000 – less than 1,000,000 Egyptian pounds.

Table 6-4: The annual sales of SMEs, in Egyptian pounds

The annual sales of SMEs					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	>50000	1	.8	.8	.8
	50000 – less than 500000	26	19.8	19.8	20.6
	500000 – less than 1000000	21	16.0	16.0	36.6
	1000000 – less than 3000000	40	30.5	30.5	67.2
	more than 3000000	43	32.8	32.8	100.0
	Total	131	100.0	100.0	

Time in business for SMEs

The time in business for SMEs is the accumulative experience the enterprise has gained by spending more time being in business. As can clearly be seen from Table 6.5, the majority of wood and furniture SMEs in our sample had experience of being in business for more than 10 years. SMEs with 73.3% had spent eleven years or more in this business. In detail, 75 SMEs had worked in this business from 11 to 20 years (43.5%), while 39 SMEs had more than 20 years of experience (29.8%). Only 10 SMEs could be described as born global, having gone international within the first five years of foundation (7.6%), while 25 SMEs had working experience of between 6 to 10 years, with a percentage of 19.1%.

Table 6-5: Time in business for SMEs.

Enterprise in business for:					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	> 5 years	10	7.6	7.6	7.6
	6 – 10 years	25	19.1	19.1	26.7
	11 – 20 years	57	43.5	43.5	70.2
	more than 20 years	39	29.8	29.8	100.0
	Total	131	100.0	100.0	

Indeed, the results from time spent in the industry in our sample give the impression that most of these firms prefer to have quite positive experiences in the local market before accessing international markets. Therefore, the result from the previous descriptive data confirms why this study follows the traditional theory of internationalisation using the Uppsala model as discussed in Chapter Three (see literature review chapter points 3.3 and 3.8).

6.2.2 Respondent profile

Position of respondent

Holding a position in an SME is important because of the uniqueness of the size of these firms. Therefore, this study asked about the participant's job title to understand the characteristics of the person who was responsible for the internationalisation activities. The vast majority of the participants were owners (n=111, 84.7%). This showed that most of these furniture SMEs in Damietta were considered as family businesses (indeed, this was the predominant business

model throughout MENA, including large corporations). Seventeen participants were considered to be firm managers, with a percentage of 13%. Very few participants considered themselves to be the people who were in charge of international activities; only three participants described themselves thus (2.3%).

Table 6-6: Participant's job title

Participant's Job title					
		Frequency	Percent	Valid Percent	Cumulative Percent
	SME Owner	111	84.7	84.7	84.7
	Firm Manager	17	13.0	13.0	97.7
	The person who is in charge of international activities	3	2.3	2.3	100.0
	Total	131	100.0	100.0	

Years of working

The participant's years of working in their firm referred to how much knowledge and experience they had gained during their working life. Table 6.7 presents the distribution of the years spent in work by these participants. The vast majority of the participants in this study had been working for more than 10 years (n=90, 68.7%). However, only eleven participants (8.4%) had less than five years' work experience and 30 participants (22.9%) had from five to ten years' work experience.

Table 6-7: Participant's length of service

For how long have you been working in your organisation?					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Under 5 years	11	8.4	8.4	8.4
	5-10 years	30	22.9	22.9	31.3
	More than 10 years	90	68.7	68.7	100.0
	Total	131	100.0	100.0	

Indeed, the results of this point have much significance with 'the time spent in the industry' as this represents strong proof that the sample in this study follows the traditional theory of internationalisation using the Uppsala model as discussed in Chapter Three (see the literature review chapter points 3.3 and 3.8).

Demographic information

Demographic factors are socioeconomic characteristics that gave some important indicators about the study sample. The participants in this study were asked about three main demographic characteristics: age, level of education and gender. As shown in Table 5.8, the vast majority of participants in this study belonged to the age group of above 41 years' old (86.3%), and only 3.8% participants were aged 20 to 30 and 9.9% were 31 to 40. It is noticeable that there was no participant under 20 years old.

The second was the level of education. Most of the participants had a college certificate, with a percentage of 49.6%, followed by a lower level degree with a percentage of 24.4%. Undergraduate and postgraduate qualifications were held by 19.8% and 6.1%, respectively.

The final demographic factor was the gender of the participants. Almost all participants (98.5%) were male, with 1.5% females. This raises a question mark over the role of female entrepreneurs in the emerging economy of Egypt, although it could be a particular feature of the wood and furniture industry.

Table 6-8: Demographic information

Age category				
	Frequency	Percent	Valid Percent	Cumulative Percent
20-30 years	5	3.8	3.8	3.8
31-40 years	13	9.9	9.9	13.7
41-50 years	36	27.5	27.5	41.2
51-60 years	43	32.8	32.8	74.0
Over 60 years	34	26.0	26.0	100.0
Total	131	100.0	100.0	
Level of education				
	Frequency	Percent	Valid Percent	Cumulative Percent
Lower level	32	24.4	24.4	24.4
Collage certificate	65	49.6	49.6	74.0
University graduate	26	19.8	19.8	93.9
Postgraduate studies	8	6.1	6.1	100.0
Total	131	100.0	100.0	
Gender				

	Frequency	Percent	Valid Percent	Cumulative Percent
Male	129	98.5	98.5	98.5
Female	2	1.5	1.5	100.0
Total	131	100.0	100.0	

6.2.3 International entry strategy

The final descriptive data analysis is concerned with the wood and furniture industry entry mode. We learned from our focus group that international exhibitions could be a very popular method to assist this industry to go into international business as mentioned in Chapter Five point 5.6.4 'focus group outcomes'. Therefore, some analysis has been done by using frequency statistical analysis to understand and identify the most common entry mode used by the wood and furniture SMEs in our sample.

First of all, Table 6.9 summarises the relative distribution of these five international entry modes of furniture SMEs (Direct Export, Indirect Export, Licensing, Direct Investment, and International Exhibition) among the survey respondents.

Table 6-9: Summary of the results of international entry mode of furniture SMEs

% of use Entry mode	Direct Export		Indirect Export		Licensing		Direct Investment		International Exhibitions	
	%	Frequency	%	Frequency	%	Frequency	%	Frequency	%	Frequency
25%	51.19	43	55.2	48	100	2	100	4	27.88	29
50%	36.90	31	29.9	26	0	0	0	0	33.65	35
75%	4.76	4	6.89	6	0	0	0	0	23.07	24
100%	7.14	6	8.04	7	0	0	0	0	15.38	16
Total	64.1	84	66.4	87	1.5	2	3.1	4	79.4	104

As can be seen from the table, all the research respondents (131 wood and furniture SMEs with a percentage of 100% of the total) used various entry modes, and some firms used multiple entry modes. For instance, the firm could use indirect exporting and, at the same time, go to an international exhibition to increase their internationalisation effectiveness. Consequently, it can be seen that Egyptian furniture SMEs did not use a single entry mode to go to the international market, but that they depended on a combination of the options. By comparing the results of the total percentage of use entry mode, we found that Egyptian wood and furniture SMEs used direct exporting (64.1%), indirect exporting (66.4%), licensing (1.5%), direct investment (3.1%), and international exhibitions (79.4%). These results demonstrate that direct exporting, indirect exporting and international exhibition were the most popular modes used by those SMEs in the sample, with percentages over 50%, whilst licensing and direct investment were less popular.

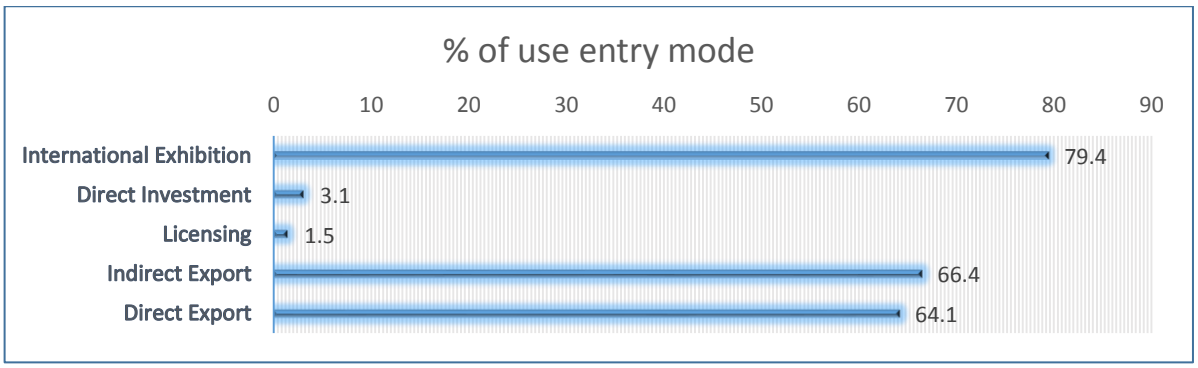


Figure 6-4: Percentage of use entry mode

As can be seen from tables 6.9 and figure 6.4, the international exhibition had frequencies of 107 cases (79.4%), followed by indirect exporting (n=87, 66.4%), then direct exporting (n=84, 64.1%). Therefore, we accept that Egyptian wood and furniture SMEs depend more on international exhibitions as a favoured entry mode within the sample.

6.3 Hypotheses testing

Testing hypotheses is a crucial part of statistical inference that provides mathematical underpinning for the inferential statistics used in this study (Cramer, 1998, El-Gohary, 2009). Testing hypotheses is generally conducted following five common steps: identifying and selecting the most appropriate statistical test(s) for the research study; determining the level of significance; identifying the decision rules by looking at the critical values (e.g. is the value clarifying the rejection region?); to run and calculate the appropriate test statistics (comparing statistical results with the critical value and rejecting the null hypothesis when the computed statistical value is within the rejection region); and interpreting the results, depending on the outcomes from stage four. We drew the conclusion to summarise the results and to compare them with the literature (Cramer, 1998, El-Gohary, 2009, Saunders et al., 2009, Sekaran, 2006, Teddlie and Tashakkori, 2009).

The entire variable in this study had some short symbols to facilitate data entry and data analysis. Table 6.9 clearly describes the whole study abbreviation and their analytic symbols. In addition, this table differentiates the variables into independent and dependent variables.

Table 6-10: Diagram symbols

Variable	IV/ID	Abbreviation	Analysis symbol
International Entrepreneurial Orientation	IV	IEO	X1
Entrepreneurial International Experience	IV	EIE	X2
Human Capital	IV	HC	X3
Social Network	IV	SN	X4
Governmental Network	IV	GN	X5
International Network	IV	IN	X6
Degree of Internationalisation	ID	DOI	Y1
SMEs Performance	ID	-	Y2

As shown in Table 6.10, this study was based on four hypotheses. The first three hypotheses (H1- H2-H3) discussed the direct and the indirect relationships between the independent variables (IV) and dependent variables (DV). Structural Equation Modelling (SEM) was deemed as the most appropriate tool for testing these three hypotheses, because SEM is a very precise tool for testing the direct and indirect relationship or the path analysis between (IV) and (DV), rather than multiple regression, as discussed in Chapter Five (Bagozzi and Yi, 1988, Byrne, 2013a).

Table 6-11: Research hypotheses

- **H1:** There is no direct effect between the Degree of Internationalisation and International Entrepreneurial Orientation, Entrepreneurial International Experience, Human Capital, Social Network, Governmental Network, and International Network.
- **H2:** There is no direct effect between SMEs Performance and the Degree of Internationalisation.
- **H3:** There is no indirect effect between SMEs' Performance and International Entrepreneurial Orientation, Entrepreneurial International Experience, Human Capital, Social Network, Governmental Network, and International Network.

6.3.1 Testing hypotheses H1, H2, and H3

The proposed internationalisation and performance model was estimated as a path model (structural equations model) using AMOS software (Arbuckle, 2010b, Bentler, 1990, Byrne, 2016, Choi and Lim, 2017). Path analysis is considered to be 'an extension of multiple regression in that it involves various multiple regression models or equations that are estimated simultaneously' (Antoncic, 2007: 317). Path analysis is also defined as 'a statistical technique that uses both bivariate and multiple linear regression techniques to test the causal relations among the variables specified in the model' (Olobatuyi, 2006: 32). The path analysis showed the direct relationship between the Degree of Internationalisation and International Entrepreneurial Orientation, Entrepreneurial International Experience, Human Capital, Social Network, Governmental Network and International Network, presented in H1. Furthermore, this path analysis presented the direct relationship between the Degree of Internationalisation

and SMEs Performance, presented in H2. The indirect relationship between SMEs Performance and International Entrepreneurial Orientation, Entrepreneurial International Experience, Human Capital, Social Network, Governmental Network, and International Network was shown in the path analysis, presented in H3. Two important steps are used in the structural equations modelling: checking the model fit by testing the goodness of model and interpreting the path analysis results (Hooper et al., 2008).

6.3.2 Model fit

The evaluation of the model fit in SEM is one of the most crucial parts in the testing process (Hair et al., 2010). This evaluation is to understand to what extent the data fit the model; in other words, to examine whether the observed sample data support the theoretical model (Elshaer, 2012, Lomax and Schumacker, 2012, Schumacker and Lomax, 2004). Therefore, goodness-of-fit (GOF) was applied to identify the model fit of the SEM (Byrne, 2013b, Lomax and Schumacker, 2012).

The goodness-of-fit of the SEM describes how far the research hypotheses reflect the covariance matrix between the indicators' items. To put it another way, the hypothesised model is created based on the theory, the sample data is then collected to test this hypothesized model (Byrne, 2016, Steiger, 2007). Therefore, the role of the goodness-of-fit between each is to ensure the quality of the sample data and the hypothesized model (Cheung and Rensvold, 2002,

Elshaer, 2012, Schumacker and Lomax, 2004). The goodness-of-fit of SEM measures the whole model. These measurements can be grouped into three categories: absolute fit indices, incremental fit indices and parsimony fit indices (Byrne, 2013a, Hooper et al., 2008, Hu and Bentler, 1999).

Absolute fit indices

The evaluation of the model fit in SEM is one of the most crucial events in the testing process (Hair et al., 2010). This evaluation is to understand to what extent the data fit the model; in other words, to examine whether the observed sample data support the theoretical model (Elshaer, 2012, Schumacker and Lomax, 2004). Therefore, goodness-of-fit (GOF) was applied to identify the model fit in the SEM (Byrne, 2013a, Iacobucci, 2010, Lomax and Schumacker, 2012).

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Absolute fit indices measure whether the overall model fits the sample data and determine the proposed model that has the most superior fit (Hooper et al., 2008, McDonald and Ho, 2002). Therefore, absolute fit indices do not provide any adjustment to a specific null hypothetical model, such as incremental fit indices, nor do they provide any change to a specific number of parameters in the estimated model, such as in parsimonious fit indices (Hair et al., 2010). To understand absolute fit indices in detail one must clarify the following categories: Chi-squared test (CMIN/DF), root mean square error of approximation (RMSEA), goodness-of-fit statistic (GFI), adjusted goodness-of-fit statistic (AGFI), root mean square residual (RMR) and standardised root mean square residual (SRMR) (Byrne, 2013a, Cheung and Rensvold, 2002, Hooper et al., 2008).

Chi-squared test

The first test to evaluate how well the model reproduces the sample data is the traditional measure for chi-square $\chi 2$ (Hooper et al., 2008, Hu and Bentler, 1999). The significance value (P) should be insignificant (a result of 0.05 or more) to consider $\chi 2$ as a good model because Chi-square does not always refer to the goodness of fit, but also to the badness or the lack of fit measure. Therefore the significant value (P) is preferred to be insignificant (Kline, 2011). Due to some restrictions of Chi-square, some academics have presented alternative indices to measure models' fit and to reduce the impact of sample size on the Chi-square test. Therefore, normed Chi-square ($\chi 2$/df) presents that Chi-square $\chi 2$ is divided on the degree of freedom

(DF). This relation appears in the AMOS outcome as CMIN/DF, the far-right column in CMIN table (table 5.10). However, there is no agreement regarding the acceptable ratio of CMIN/DF. Some researchers have recommended the acceptable value could be less than 3.0 (Kline, 2011), while BG Tabachnick and Fidell (2007) have recommended that CMIN/DF value could be less than 2.0 to accept the suggested model.

RMSEA

The RMSEA presents how chosen parameter estimates could fit, not only to give an estimation of how well the sample functions, but also to estimate how well the population matches the model, by fitting the population's covariance matrix (Arbuckle, 2010b, Byrne, 2013a). RMSEA tries to correct the tendency of the $\chi 2$ statistic by rejecting any specified model with a suitably large sample (Byrne, 2013a, Diamantopoulos et al., 2000). The RMSEA calculates the goodness-of-fit in three categories. The first is the good fit model, which has a RMSEA value less than 0.05 (Hair et al., 2010). The second is the acceptance fit, which has a value between 0.05 and 0.08 (Hu and Bentler, 1999, Steiger, 2007). The third is a marginal fit, which has a value between 0.08 and 1.00 (Iacobucci, 2010, MacCallum et al., 1996).

GFI and AGFI

Jöreskog and Sörbom (1989) was devised as an alternative to the Chi-square test. The GFI test 'calculates the proportion of variance that is accounted for by the estimated population

covariance' (Hooper et al., 2008: 54). The cut-off point on the GFI ranges between zero and one, by which zero is a poor fit and one is a perfect fit. However, GFI has accepted if the value is greater than 0.90, while a marginal fit is between 0.80 and 0.90 (Hair et al., 2010, Hooper et al., 2008, Kline, 2011).

RMR and SRMR

RMR and SRMR 'are the square root of the difference between the residuals of the sample covariance matrix and the hypothesised covariance model' (Hooper et al., 2008: 54). However, it is sometimes difficult to present an unstandardized residual with RMR. Consequently, the standardized residual is needed to indicate good-fitting models. Small values for both RMR and SRMR are better rather than larger values because these fit models refer to badness-of-fit measures (Hair et al., 2010). Therefore, the value of acceptance level of SRMR is 0.08 or less while, the perfect value of SRMR is 0.05 or less (Hooper et al., 2008, Hu and Bentler, 1999). Similarly, the perfect value of RMR is when it is close to zero (Kline, 2011).

Incremental fit indices

Incremental fit indices are also known as relative or comparative fit indexes. These indices compare the chi-square value to a baseline model: 'Incremental fit indices measure the proportionate improvement in fit by comparing a target model with a more restricted, nested baseline model' (Hoyle, 1995: 82). These fit indices include some tests, such as normed-fit

index (NFI), comparative fit index (CFI), Tucker-Lewis index (TLI), relative fit index (RFI), and incremental fit index (IFI) (Byrne, 2013a, Hooper et al., 2008, Hu and Bentler, 1999, Iacobucci, 2010). All these indices are clearly apparent in the baseline comparisons table of the AMOS outcomes. The cut-off points for these fit indices are the same as for the GFI, between zero and one. The value of zero is considered to be a poor fit, while one is considered to be perfect. Bentler and Bonett (1980) recommend that the cut-off point should be greater than 0.90. Recently, some academics have suggested that this cut-off point should be no less than 0.8 (Byrne, 2013a), while others have suggested that these points should be equal to or greater than 0.95 (Bentler, 1990). To sum up, the marginal fit is between 0.80 and 0.90, while the accepted value is greater than 0.90. In connection with the perfect fit, it should be close to 1.00 or at least ≥ 0.95 (Bentler, 1990, Byrne, 2013a, Hooper et al., 2008, Hu and Bentler, 1999).

Parsimony fit indices

Parsimony fit indices were developed to provide some hints regarding the best model amongst the all competing models (Byrne, 2016, Choi and Lim, 2017, Elshaer, 2012). Parsimony fit indices contain two main categories, as developed by Mulaik et al. (1989): parsimonious normed fit index (PNFI) and the parsimony goodness-of-fit index (PGFI). These two indices also appear in the AMOS outcome in the Parsimony-Adjusted Measures table. The PNFI is based on NFI by adjusting the degrees of freedom, while the PGFI adjusts for loss of degrees of freedom. However, it is based on the GFI (Hooper et al., 2008, Mulaik et al., 1989).

The acceptance level of the PNFI and the PGFI recommends that the value of zero is considered as a poor fit, while the value of one is considered to be a perfect fit. The value which is closest to 1.00 is considered to be a good or acceptable fit model (Byrne, 2016, Choi and Lim, 2017, Hooper et al., 2008, Mulaik et al., 1989). Also, BG Tabachnick and Fidell (2007) mentioned that the acceptable level of the PNFI and the PGFI is recommended to be greater than 0.5.

6.4 Models Testing

Testing the structure model was done by testing the relationship between the IVs and DVs in the study. The structural model was tested by model fit criteria. There were two options, as shown in Figure (5.3): the first one, if the model does fit, then the regression weight must be checked to establish the variables by looking at the P value of the variable. If this value is significant, meaning that the P value is less than 0.05, then the model will be accepted and the regression equation will be used (Byrne, 2016, Choi and Lim, 2017, Lei and Wu, 2007). Otherwise, if the variable(s) is (are) not significant, it means that the model will be rejected and should be reduced to become fit and significant (Byrne, 2016, Steiger, 2007).

The second option, after testing the fitting of the model, is that where the model is found not to be fit. Then, the regression weight of the variables must be checked as well as looking at P (Choi and Lim, 2017, Lei and Wu, 2007). The model should be reduced by removing the most insignificant variable in the structural model. Then, the new model, after reduction, should be

tested again. If the model becomes fit, the model will be accepted (Byrne, 2016, Steiger, 2007). Otherwise, the same reduction process will happen again until the structural model becomes fit (Bentler and Bonett, 1980, Hooper et al., 2008, Hoyle, 1995, Hu and Bentler, 1999, Kline, 2011). The following figure illustrates a flowchart of the structural model.

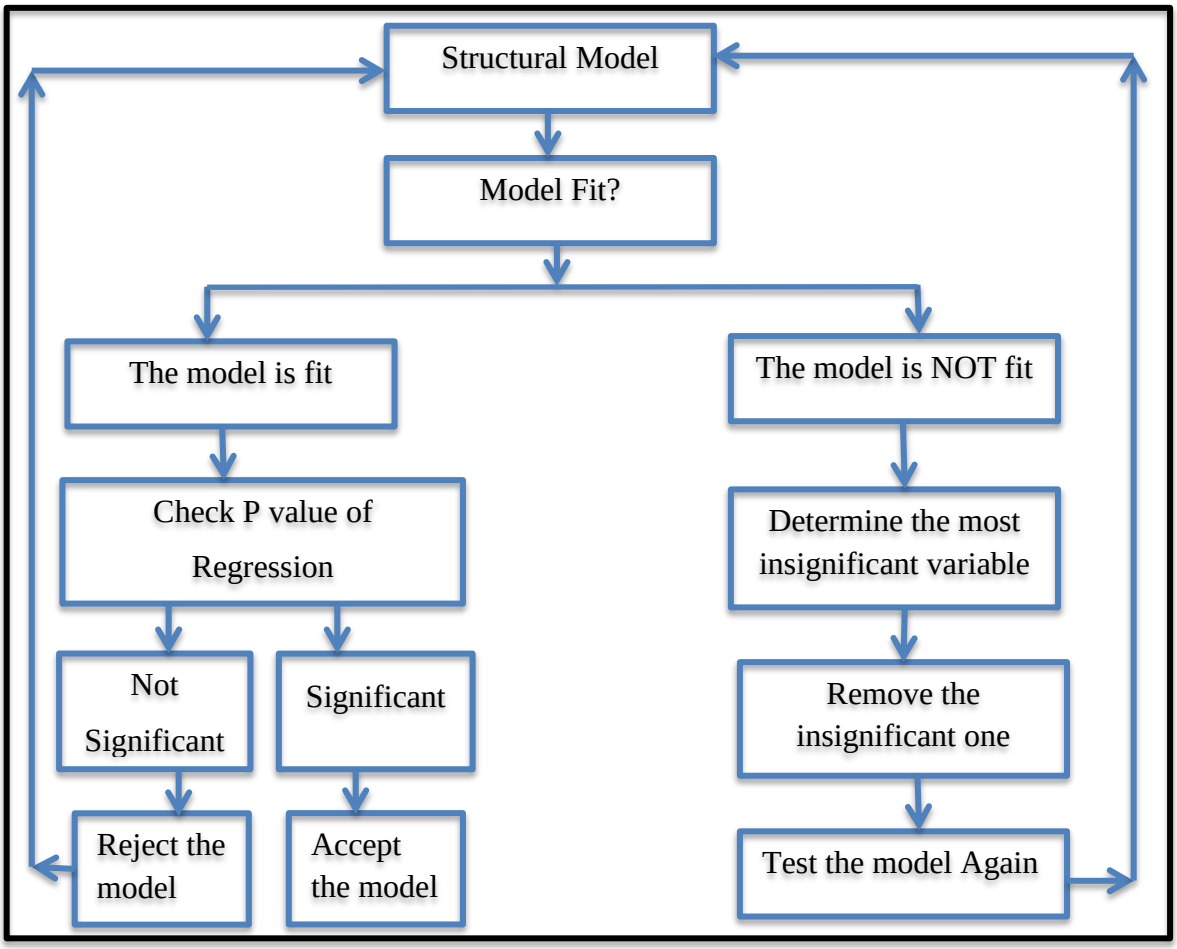

Figure 6-5: Structural Model flowchart

6.4.1 First Structural Model

The first structural model tested the full research variables without any reduction. The path analysis diagram figure (6.5) presents the full relationship between the independent and dependent variables.

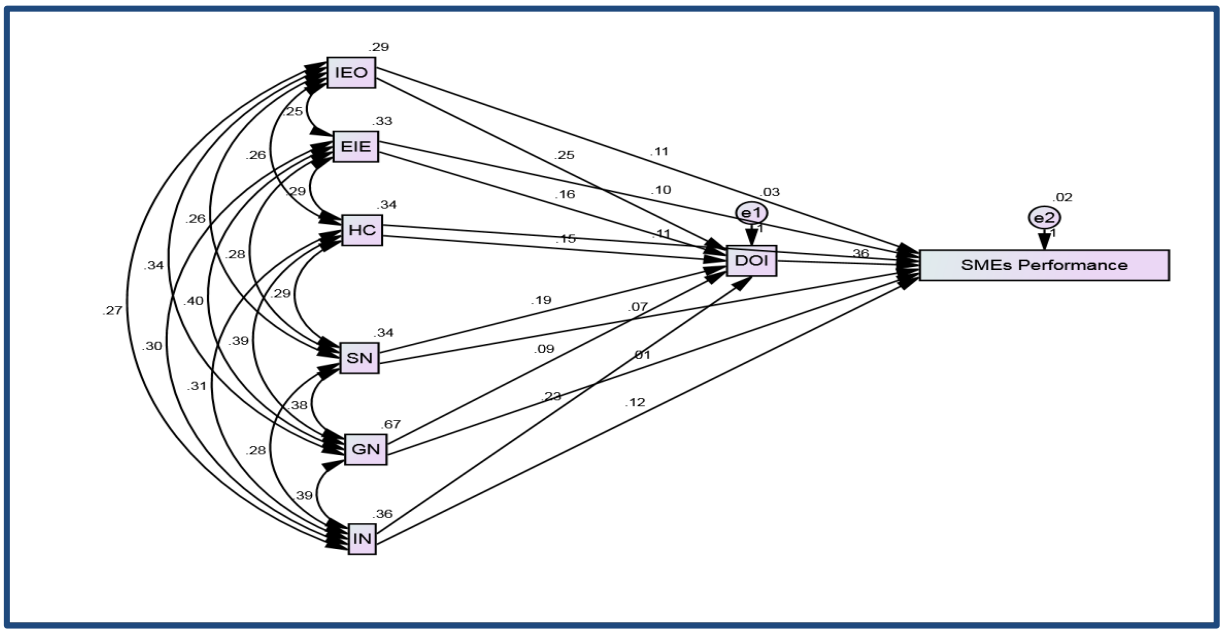

Figure 6-6: the path model for the first structural model

The first model should be judged by presenting the model fit for this structural model. The model fit will be examined as demonstrating in the above point (6.3.2) as follows:

6.4.1.1 Chi-square and Normed chi-square

For a good model fit, chi-square ($\chi 2$) should be insignificant (P-value should be 0.05 or more). This is because ($\chi 2$) is considered to be a badness of fit (Kline, 2011), while normed chi-square (CMIN/DF) is considered as an alternative index to measure models' fit and to reduce the impact of sample size. The normed Chi-square equation is ($\chi 2$/df), which means that Chi-square $\chi 2$ is divided on the degree of freedom (DF). The cut-off point for CMIN/DF should be less than (3) (Kline, 2011). As can be clearly seen from Table (6.10), even the P value of $\chi 2$ or the value of CMIN/DF does not appear which meant that the AMOS software was not able to calculate these values. As a result, the values of $\chi 2$ and CMIN/DF were considered as an initial indicator for refusing this first structural model (Byrne, 2016, Choi and Lim, 2017, Mulaik et al., 1989).

Table 6-12: CMIN

Model	NPAR	CMIN	DF	P	CMIN/DF
Default model	36	.000	0		
Saturated model	36	.000	0		
Independence model	8	1600.634	28	.000	57.166

6.4.1.2 RMSEA

RMSEA estimates present demonstrate how well the sample functions and how well the population matches the model by fitting the population's covariance matrix (Byrne, 2013a, Hooper et al., 2008). The RMSEA cut-off point was calculated as follows: perfect fit when RMSEA estimated is ≤ 0.05, acceptable fit when RMSEA estimated is between 0.05 and 0.08

as (0.05 < RMSEA ≤ 0.08), marginal fit when RMSEA estimated is between 0.08 and 0.10 as (0.08 < RMSEA ≤0.10) and, finally, poor fit when RMSEA estimated is more than 0.10 (Hu and Bentler, 1999, MacCallum et al., 1996, Steiger, 2007) . Therefore, it is clearly apparent in Table (6.11) that the RMSEA estimated was 0.657, which meant a very poor model fit and that this first model will probably be refused.

Table 6-13:RMSEA

Model	RMSEA	LO 90	HI 90	PCLOSE
Independence model	.657	.630	.685	.000

6.4.1.3 GFI and AGFI

GFI is considered as an alternative to the Chi-square test (Byrne, 2016, Choi and Lim, 2017, Jöreskog and Sörbom, 1989). The cut-off point on the GFI is ranged between zero and one. GFI cut-off point is calculated as follows: perfect fit when GFI value is 1.00, acceptable fit when GFI value is greater than 0.90, marginal fit when GFI is between 0.80 and 0.90 and, finally, poor fit when GFI estimated is less than 0.90 AGFI is an adjusted GFI which is adjusted by DF. The cut-off point for AGFI is similar to the cut-off point for GFI (Hair et al., 2010, Hooper et al., 2008, Kline, 2011). Table (6.12) presents the GFI value of 1.000. This value is considered to be a perfect fit. The value of AGFI did not appear in the output results, which means the there was an error and that the statistical software could not calculate the value of AGFI.

Table 6-14:RMR, GFI

Model	RMR	GFI	AGFI	PGFI
Default model	.000	1.000		
Saturated model	.000	1.000		
Independence model	.277	.164	-.075	.128

6.4.1.4 RMR and SRMR

RMR is the square root of the difference between the residuals of the sample covariance matrix, while SRMR is the standardized RMR. The perfect fit for RMR is close to zero. The perfect fit for SRMR is 0.05 or less and from 0.05 to 0.08 is considered to be an acceptable fit (Hooper et al., 2008, Hu and Bentler, 1999). Table (6.12) presents the RMR and SRMR value of 0.000, which was considered to be perfect because it was less than 0.005.

6.4.1.5 Baseline comparison

These fit indices include some tests, such as normed-fit index (NFI), comparative fit index (CFI), Tucker-Lewis index (TLI), relative fit index (RFI), and incremental fit index (IFI) (Byrne, 2013a, Hooper et al., 2008, Hu and Bentler, 1999). All these indices clearly appeared in the baseline comparisons table of the AMOS outcomes. The cut-off point of the baseline comparison indices measure of NFI, RFI, IFI, TLI, and CFI indicate that a value of zero is considered to be a poor fit, while one is considered as being a perfect fit (Byrne, 2016, Steiger, 2007). The values between 0.80 and 0.90 are considered to be a marginal fit. Finally, a value of

more than 0.90 is considered to be a satisfactory fit (Byrne, 2013a, Hooper et al., 2008, Hu and Bentler, 1999). It is clear in Table (6.13) that values for NFI, IFI, and CFI were 1.000, which was considered to be a perfect model, while the AMOS result output table was not able to calculate the values for RFI and TLI.

Table 6-15:Baseline Comparisons

Model	NFI Delta1	RFI rho1	IFI Delta2	TLI rho2	CFI
Default model	1.000		1.000		1.000
Saturated model	1.000		1.000		1.000
Independence model	.000	.000	.000	.000	.000

6.4.1.6 Parsimony fit indices

Parsimony fit indices contain two main categories, as developed by Mulaik et al. (1989): the parsimonious normed fit index (PNFI) and the parsimony goodness-of-fit index (PGFI). The cut-off points for the Parsimony fit indices measure of PNFI and PGFI indicate that a value of zero is considered to be a poor fit, while one is considered to be a perfect fit, while the acceptable level of the PNFI and the PGFI is recommended to be greater than 0.5 (BG Tabachnick and Fidell, 2007). As seen in Table (6.14) the PNFI value was 0.000, which was considered to be a poor fit, while the value PGFI, which is shown in Table (5.12) of RMR, GFI was not able to be calculated by the AMOS software and so it was considered to be a poor fit.

Table 6-16:Parsimony-Adjusted Measures

Model	PRATIO	PNFI	PCFI
Default model	.000	.000	.000
Saturated model	.000	.000	.000
Independence model	1.000	.000	.000

6.1.4.7 Evaluating the First Structural Model

The most crucial event in SEM testing is the evaluation of the model fit, which gives more power to the research results (Hair et al., 1998). Table (6.15) illustrates the most important model fit summary from the AMOS outcome for the first structural model, which will give a clear idea for judging this model (Byrne, 2016, Choi and Lim, 2017). The result of this judgment allowed the researcher to make one of two decisions; the first one would be accepting the model if there was a statistically fit relationship between the IVs and DVs. On the other hand, the decision would be to reject the model if the model was not fit (Byrne, 2016, Gallagher et al., 2008). Then the right action would be to modify the first model by removing the most insignificant variable and retesting the new structural model again and evaluating the fitness of the new model to judge it, and so on (Arbuckle, 2010, Gallagher et al., 2008).

Table 6-17: Model fit summary for the first model

Index name	Type of fit	Cut-off point	Study Results	Decision	References
Chi-square ($\chi 2$)	Absolute fit indices	P > 0.05	Not applicable (No Value)	Model **Rejected**	(Kline, 2011) (Arbuckle, 2010, Gallagher et al., 2008)
Normed chi-square ($\chi 2$/df)	Absolute fit indices	less than 3.00 or less than 2.00	Not applicable (No Value)	Model **Rejected**	(Kline, 2011) (BG Tabachnick and Fidell, 2007)
Root mean square error of approximation (RMSEA)	Absolute fit indices	- RMSEA ≤ 0.05 perfect fit. - value 0.05 < RMSEA ≤ 0.08 acceptable Fit. - Value 0.08 < RMSEA ≤1.00 is marginally fit.	RMSEA = .657	Model **Rejected**	(Hair et al., 2010) (Hu and Bentler, 1999) (Steiger, 2007) (MacCallum et al., 1996)
Goodness of fit index (GFI)	Absolute fit indices	- GFI = 0 (poor fit). - GFI = 1.00 (perfect fit). - GFI between 0.80 and 0.90 (marginal fit) - GFI > 0.90 (satisfactory fit)	GFI = 1.00	Model **Accepted** (perfect fit)	(Bentler, 1990) (Hu and Bentler, 1999) (Hooper et al., 2008) (Byrne, 2013a)
Adjusted goodness of fit index (AGFI)	Absolute fit indices	- AGFI = 0 (poor fit). - AGFI = 1.00 (perfect fit). - AGFI between 0.80 and 0.90 (marginal fit) - AGFI > 0.90 (satisfactory fit)	AGFI = 1.00	Model **Accepted** (perfect fit)	(Kline, 2011) (Bentler, 1990) (Hu and Bentler, 1999) (Hooper et al., 2008) (Byrne, 2013a)

Index name	Type of fit	Cut-off point	Study Results	Decision	References
Root mean square residual (RMR)	Absolute fit indices	RMR close to zero is perfect fit	RMR = 0.00	Model **Accepted** (perfect fit)	(Hu and Bentler, 1999) (Hooper et al., 2008)
Standardized root mean square residual (SRMR)	Absolute fit indices	- SRMR is 0.08 or less (acceptance fit) of - SRMR is 0.05 or less perfect fit	SRMR = 0.00	Model **Accepted** (perfect fit)	(Hu and Bentler, 1999) (Bentler, 1990) (Hooper et al., 2008)
Normed-fit index (NFI)	Incremental fit indices	NFI, RFI, IFI, TLI and CFI = 0 (poor fit). = 1.00 (perfect fit). When it is between 0.80 and 0.90 (marginal fit) > 0.90 (satisfactory fit)	NFI = 1.00	Model **Accepted** (perfect fit)	(Kline, 2011) (Bentler, 1990) (Hu and Bentler, 1999) (Hooper et al., 2008) (Arbuckle, 2010b, Byrne, 2013a) (Arbuckle, 2010, Byrne, 2016, Gallagher et al., 2008)
Comparative fit index (CFI)	Incremental fit indices		CFI = 1.00	Model **Accepted** (perfect fit)	
Tucker-lewis index (TLI)	Incremental fit indices		TLI Not applicable (No Value)	Model **Rejected**	
Relative fit index (RFI)	Incremental fit indices		RFI Not applicable (No Value)	Model **Rejected**	
Incremental fit index (IFI)	Incremental fit indices		IFI = 1.00	Model **Accepted** (perfect fit)	
Parsimonious normed fit index (PNFI)	Parsimony fit indices	- PNFI = 0 (poor fit). - PNFI = 1.00 (perfect fit). - PNFI > 0.50 (acceptable level)	PNFI = 0.00	Model **Accepted** (perfect fit)	(Mulaik et al., 1989) (Arbuckle, 2010b, Hooper et al., 2008)
Parsimony goodness-of-fit index (PGFI)	Parsimony fit indices		PGFI Not applicable (No Value)	Model **Rejected**	

The model fit summary clearly found that all estimates of PNFI, IFI, CFI, NFI, SRMR, RMR, AGFI, and GFI were tested by each of the cut-off points for each index and it is recommended that the first model was accepted (Arbuckle, 2010, Byrne, 2016, Gallagher et al., 2008). On the other hand, we found that all estimates fχ2, χ2/df, RMSEA, TLI, RFI, and PGFI were tested by each of the cut-off points for each index and it was recommended that the first model was rejected (Iacobucci, 2010, Steiger, 2007).

The final decision of judging the first structural model was to reject the model because most of the model fit indices should be applicable and accepted to enable acceptance of the full model. Further action was taken to fix this model. As illustrated in the second structural model, the most insignificant variable was removed from the model and it was retested to judge the acceptance of the new one.

6.4.2 Second Structural Model

This structural model was a modification of the first model. That is meant that we had to go back to the regression weights estimates table (6.16) to check the significance of ($p \leq 0.05$) of each variable (Hooper et al., 2008, Iacobucci, 2010, Schermelleh-Engel et al., 2003,).

Table 6-18: Regression Weights for First Structural Model

			Estimate	S.E.	C.R.	P
Y1	<---	X1	.250	.063	3.957	***
Y1	<---	X2	.155	.071	2.200	.028
Y1	<---	X3	.149	.073	2.042	.041
Y1	<---	X4	.192	.066	2.936	.003
Y1	<---	X5	.089	.041	2.148	.032
Y1	<---	X6	.229	.066	3.486	***
Y2	<---	Y1	.359	.070	5.095	***
Y2	<---	X6	.124	.055	2.242	.025
Y2	<---	X5	.010	.034	.301	.764
Y2	<---	X4	.073	.054	1.345	.179
Y2	<---	X3	.114	.060	1.915	.055
Y2	<---	X2	.098	.058	1.706	.088
Y2	<---	X1	.107	.054	1.993	.046

It was clear in Figure (6.17), showing the regression weights for the first structural model, that not all the variables were significant. The regression weights between Y1 as a DV and each variable of IV variable of X1, X2, X3, X4, X5, and X6 were considered significant because the P value was less than 0.05. In addition, the regression weights between Y2 as a DV and X1 as an IV was considered significant, with a value of 0.046. On the other hand, the regression

weights between Y1 and each of X2, X3, X4, and X5 were considered insignificant, with a P value of 0.088, 0.055, 0.179, and 0.764 respectively.

As a result, it was found from examining the regression weights of the first structural model that the relationship between SMEs' performance (Y2) and governmental network (X5) was the most insignificant relationship, which means that it was the weakest relationship in the path analysis. Therefore, X5 will be removed and the model fit will be re-examined to judge the second structural model.

The second structural model tested all research variables, after removing the X5 variable, as shown in the path analysis diagram figure (6.6).

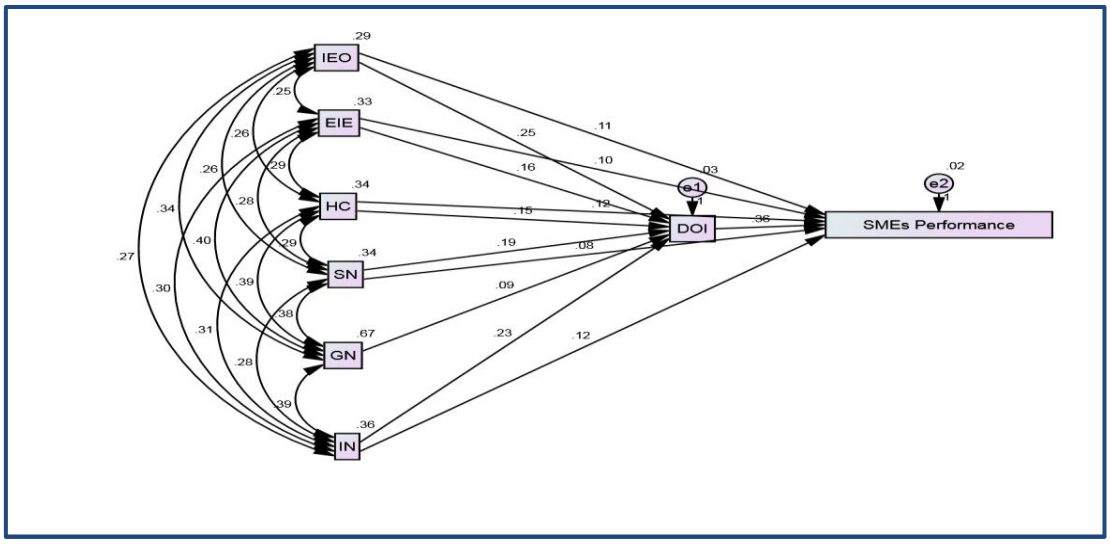

Figure 6-7: the path model for the second structural model

The same process of examining the model fit was applied to judge the second model after removing the X5 variable. This model fit examination will give a clear idea of study relationships and allows the researcher to take the crucial decision of either accepting or rejecting the second model.

To avoid repetition of the same process again by presenting the same model fit criteria, all model fit outcome tables are presented in Appendix C.

6.4.2.1 Evaluating the Second Structural Model

Evaluating the second structural model produced a summary of model fit, as shown in the following table:

Table 6-19: Model fit summary for the Second model

Index name	Type of fit	Cut-off point	Study Results	Decision	References
Chi-square (χ2)	Absolute fit indices	P > 0.05	P = 0.764	Model **Accepted**	(Kline, 2011)
Normed chi-square (χ2/df)	Absolute fit indices	less than 3.00 or less than 2.00	χ2/df = 0.090	Model **Accepted**	(Kline, 2011) (BG Tabachnick and Fidell, 2007)
Root mean square error of approximation (RMSEA)	Absolute fit indices	- RMSEA ≤ 0.05 perfect fit. - value 0.05 < RMSEA ≤ 0.08 acceptable Fit.	RMSEA = 0.000	Model **Accepted** (perfect fit)	(Hair et al., 2010) (Hu and Bentler, 1999) (Steiger, 2007)

Index name	Type of fit	Cut-off point	Study Results	Decision	References
		- Value 0.08 < RMSEA ≤1.00 is marginally fit.			(MacCallum et al., 1996)
Goodness of fit index (GFI)	Absolute fit indices	- GFI = 0 (poor fit). - GFI = 1.00 (perfect fit). - GFI between 0.80 and 0.90 (marginal fit) - GFI > 0.90 (satisfactory fit)	GFI = 1.00	Model **Accepted** (perfect fit)	(Bentler, 1990) (Hu and Bentler, 1999) (Hooper et al., 2008) (Byrne, 2013a)
Adjusted goodness of fit index (AGFI)	Absolute fit indices	- AGFI = 0 (poor fit). - AGFI = 1.00 (perfect fit). - AGFI between 0.80 and 0.90 (marginal fit) - AGFI > 0.90 (satisfactory fit)	AGFI = 0.994	Model **Accepted**	(Kline, 2011) (Bentler, 1990) (Hu and Bentler, 1999) (Hooper et al., 2008) (Byrne, 2013a)
Root mean square residual (RMR)	Absolute fit indices	RMR close to zero is perfect fit	RMR = 0.00	Model **Accepted** (perfect fit)	(Hu and Bentler, 1999) (Hooper et al., 2008)
Standardized root mean square residual (SRMR)	Absolute fit indices	- SRMR is 0.08 or less (acceptance fit) of - SRMR is 0.05 or less perfect fit	SRMR = 0.00	Model **Accepted** (perfect fit)	(Hu and Bentler, 1999) (Bentler, 1990) (Hooper et al., 2008)
Normed-fit index (NFI)	Incremental fit indices	NFI, RFI, IFI, TLI and CFI = 0 (poor fit). = 1.00 (perfect fit).	NFI = 1.00	Model **Accepted** (perfect fit)	(Kline, 2011) (Bentler, 1990) (Hu and Bentler, 1999) (Hooper et al., 2008)
Comparative fit index (CFI)	Incremental fit indices		CFI = 1.00	Model **Accepted**	

Index name	Type of fit	Cut-off point	Study Results	Decision	References
		When it is between 0.80 and 0.90 (marginal fit) > 0.90 (satisfactory fit)		(perfect fit)	(Arbuckle, 2010b, Byrne, 2013a)
Tucker-lewis index (TLI)	Incremental fit indices		TLI = 1.00	Model **Accepted** (perfect fit)	
Relative fit index (RFI)	Incremental fit indices		RFI = 0.998	Model **Accepted**	
Incremental fit index (IFI)	Incremental fit indices		IFI = 1.00	Model **Accepted** (perfect fit)	
Parsimonious normed fit index (PNFI)	Parsimony fit indices	- PNFI = 0 (poor fit). - PNFI = 1.00 (perfect fit). - PNFI > 0.50 (acceptable level)	PNFI = 0.036	Model **Rejected**	(Mulaik et al., 1989) (Arbuckle, 2010b, Hooper et al., 2008)
Parsimony goodness-of-fit index (PGFI)	Parsimony fit indices		PGFI = 0.128	Model **Rejected**	

The results of the model fit summary for the second model clearly show that almost all the fit measures were accepted, apart from the parsimonious normed fit index (PNFI), and the parsimony goodness-of-fit index (PGFI) because of the poor fit. We can definitely say that this second model has much improvement on the previous one.

The next step now was to check the regression weights between the variables. As is shown in Appendix C, all the P values regression estimates were significant apart from the relationship

between Y2 and all of X4, X3, and X2, which were 0.162, 0.052, and 0.53, respectively. It is clear that the relationship between SMEs' performance and social networks was totally insignificant. Therefore, this weak relationship was removed and a new model re-tested without this insignificant relationship, as shown in the third model.

6.4.3 Third Structural Model

As a result of the model fit summary for the second model, it found that not all the results were fit. Therefore, we have to look at the regression weights estimates table (6.18) for the second model to check the significance of ($p \leq 0.05$) of each variable.

Table 6-20: Regression weights for second structural model

			Estimate	S.E.	C.R.	P
Y1	<---	X1	.250	.063	3.957	***
Y1	<---	X2	.155	.071	2.200	.028
Y1	<---	X3	.149	.073	2.042	.041
Y1	<---	X4	.192	.066	2.936	.003
Y1	<---	X5	.089	.041	2.148	.032
Y1	<---	X6	.229	.066	3.486	***
Y2	<---	X1	.107	.054	1.994	.046
Y2	<---	X2	.104	.054	1.932	.053
Y2	<---	X3	.115	.059	1.943	.052
Y2	<---	X6	.123	.055	2.232	.026
Y2	<---	Y1	.362	.069	5.240	***
Y2	<---	X4	.075	.054	1.398	.162

As previously discussed in Table (6.18), it is clear that the relationship between Y1 and all DV were significant because the P value was less than 0.05. On the other hand, not all the relationship between Y2 and DV were significant. It was obvious that the regression weight for the relationship between Y2 and Y1 was strongly significant. In addition, the regression weights for the relationship between Y2 and X1 and X6 were also significant with a P value of 0.046 and 0.026 respectively. However, the regression weights for the relationship between Y2 and X2, X3, and X4 were not significant with a P value of 0.053, 0.052, and 0.162 respectively. Consequently, the relationship between Y2 and X4 was the biggest insignificant value within the second model. Therefore, X4 will be removed and the model fit will be re-examined to judge the third structural model.

Therefore, the third structural model was a modification of the second model. It tested the relationship between all variables, after removing the relationship between Y2 and X5 from the first model and after removing the relationship between Y2 and X4 from the second model. The third model is shown in the path analysis diagram figure 6.8.

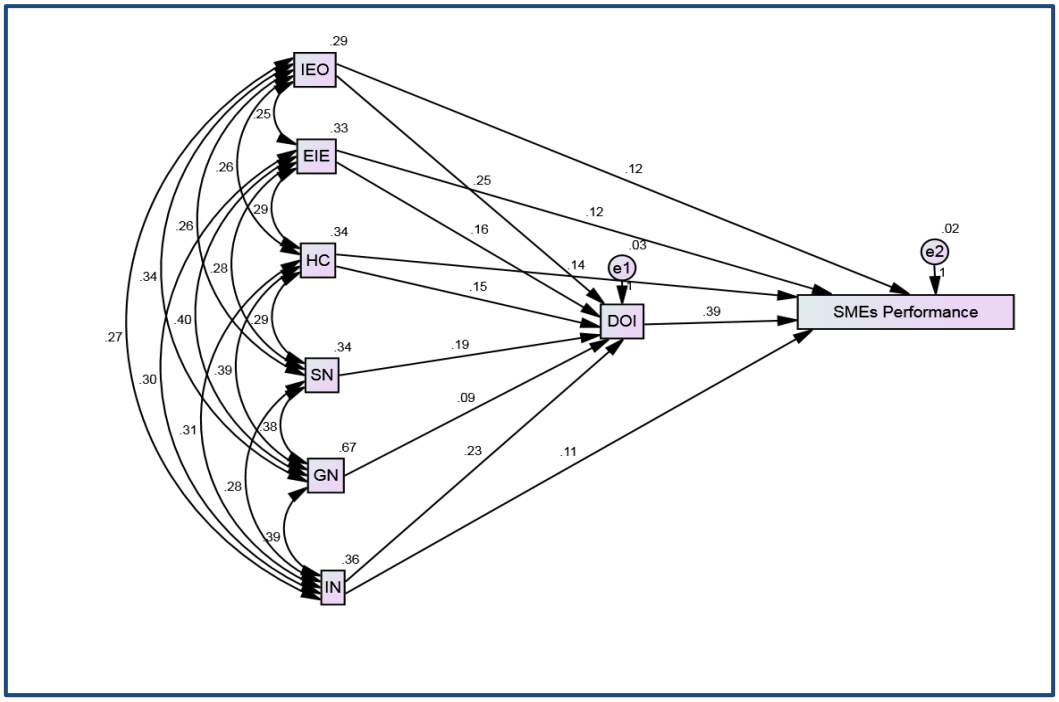

Figure 6-8:the path model for the third structural model

6.4.3.1 Evaluating the Third Structural Model

All AMOS outcomes for this model are clearly shown in Appendix D. Evaluating the third structural model produced a summary of model fit, as shown in the following table:

Table 6-21: Model fit summary for third model

Index name	Type of fit	Cut-off point	Study Results	Decision	References
Chi-square (χ2)	Absolute fit indices	P > 0.05	P = 0.362	Model **Accepted**	(Kline, 2011)
Normed chi-square (χ2/df)	Absolute fit indices	less than 3.00 or less than 2.00	χ2/df = 1.016	Model **Accepted**	(Kline, 2011) (BG Tabachnick and Fidell, 2007)
Root mean square error of approximation (RMSEA)	Absolute fit indices	- RMSEA ≤ 0.05 perfect fit - RMSEA ≤ 0.08 acceptable Fit. - Value 0.08 < RMSEA ≤1.00 is marginally fit.	RMSEA = 0.011	Model **Accepted** (perfect fit)	(Hair et al., 2010) (Hu and Bentler, 1999) (Steiger, 2007) (MacCallum et al., 1996)
Goodness of fit index (GFI)	Absolute fit indices	- GFI = 0 (poor fit). - GFI = 1.00 (perfect fit). - GFI between 0.80 and 0.90 (marginal fit) - GFI > 0.90 (satisfactory fit)	GFI = 0.996	Model **Accepted**	(Bentler, 1990) (Hu and Bentler, 1999) (Hooper et al., 2008) (Byrne, 2013a)
Adjusted goodness of fit index (AGFI)	Absolute fit indices	- AGFI = 0 (poor fit). - AGFI = 1.00 (perfect fit). - AGFI between 0.80 and 0.90 (marginal fit) - AGFI > 0.90 (satisfactory fit)	AGFI = 0.931	Model **Accepted**	(Kline, 2011) (Bentler, 1990) (Hu and Bentler, 1999) (Hooper et al., 2008) (Byrne, 2013a)

Index name	Type of fit	Cut-off point	Study Results	Decision	References
Root mean square residual (RMR)	Absolute fit indices	RMR close to zero is perfect fit	RMR = 0.01	Model **Accepted** (perfect fit)	(Hu and Bentler, 1999) (Hooper et al., 2008)
Standardized root mean square residual (SRMR)	Absolute fit indices	- SRMR is 0.08 or less (acceptance fit) of - SRMR is 0.05 or less perfect fit	SRMR = 0.00	Model **Accepted** (perfect fit)	(Hu and Bentler, 1999) (Bentler, 1990) (Hooper et al., 2008)
Normed-fit index (NFI)	Incremental fit indices	NFI, RFI, IFI, TLI and CFI = 0 (poor fit). = 1.00 (perfect fit). When it is between 0.80 and 0.90 (marginal fit) > 0.90 (satisfactory fit)	NFI = 1.00	Model **Accepted** (perfect fit)	(Kline, 2011) (Bentler, 1990) (Hu and Bentler, 1999) (Hooper et al., 2008) (Arbuckle, 2010b, Byrne, 2013a)
Comparative fit index (CFI)	Incremental fit indices		CFI = 1.00	Model **Accepted** (perfect fit)	
Tucker-Lewis index (TLI)	Incremental fit indices		TLI = 1.00	Model **Accepted** (perfect fit)	
Relative fit index (RFI)	Incremental fit indices		RFI = 0.982	Model **Accepted**	
Incremental fit index (IFI)	Incremental fit indices		IFI = 0.999	Model **Accepted** (perfect fit)	
Parsimonious normed fit index (PNFI)	Parsimony fit indices	- PNFI = 0 (poor fit). - PNFI = 1.00 (perfect fit). - PNFI > 0.50 (acceptable level)	PNFI = 0.71	Model **Accepted**	(Mulaik et al., 1989) (Arbuckle, 2010b, Hooper et al., 2008)
Parsimony goodness-of-fit index (PGFI)	Parsimony fit indices		PGFI = 0.71	Model **Accepted**	

As a result, it is clear that the third structural model was the perfect model fit. However, it was necessary to check the regression weights between the variables to make sure that all the relationships between IVs and IDs were significant. Table (6.20) shows the P value of the regression estimates, which all appeared as significant and were accepted.

Table 6-22:Regression Weights for the third structural model

			Estimate	S.E.	C.R.	P
Y1	<---	X1	.250	.063	3.957	***
Y1	<---	X2	.155	.071	2.200	.028
Y1	<---	X3	.149	.073	2.042	.041
Y1	<---	X4	.192	.066	2.936	.003
Y1	<---	X5	.089	.041	2.148	.032
Y1	<---	X6	.229	.066	3.486	***
Y2	<---	Y1	.390	.067	5.829	***
Y2	<---	X1	.124	.053	2.360	.018
Y2	<---	X2	.117	.054	2.182	.029
Y2	<---	X3	.142	.057	2.492	.013
Y2	<---	X6	.110	.055	2.016	.044

As a result, we could now say that we had a perfect model to evaluate the relationship between the IVs and the IDs variables within the study conditions. Therefore, this perfect model was used to test the research hypotheses and to create the regression equation. However, it was

crucial before performing the hypotheses testing to make three more analyses, these being firstly, applying the perfect model with the small and medium firms secondly, applying the lower and higher performance for the perfect model, and finally, applying the lower and higher internationalisation for the perfect model. These three points will be discussed in the following section.

6.5 Interpretations of the third model (the perfect model)

The third model is considered as the perfect model regarding these study conditions. It gives an opportunity to understand the relationship between the variables related to entrepreneurial orientation, experience, and networks on one hand and the degree of internationalisation and firm performance of SMEs on the other hand. Therefore, we will take this opportunity to critically interpret the third model (the perfect model) in three ways:

1- Applying the third model with small and medium enterprises.

2- Applying the third model with low performance firms and high performance firms.

3- Applying the third model with low internationalisation firms and high internationalisation firms.

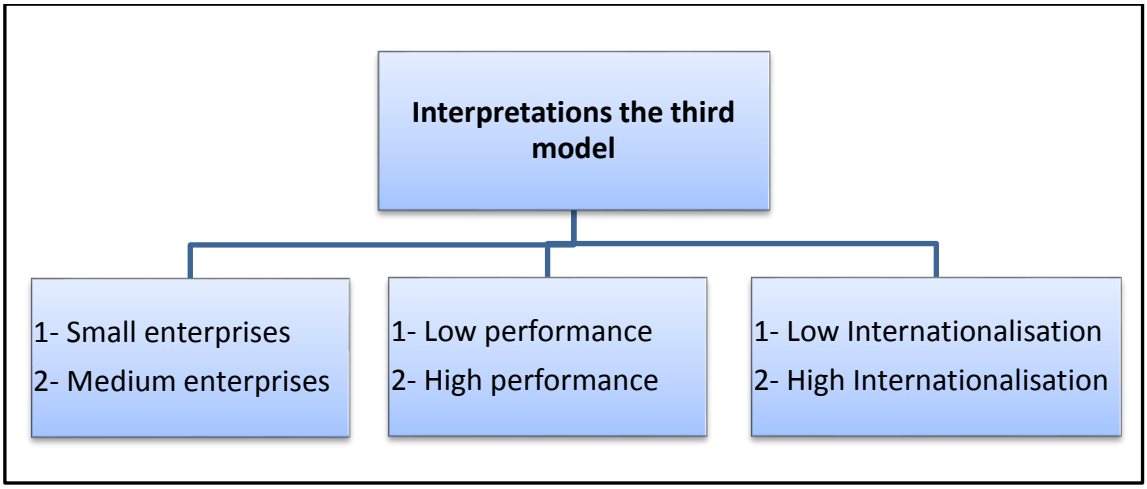

Figure 6-9: Interpretation for the third model (the perfect model)

Discussing the third model by identifying the three categories as mentioned above in Figure 6.8. This gives more in-depth clarification to the results of this study in two ways: first, it gives more stability for the chosen model by looking at the model fit for each category from the above. Second, testing these categories relationships within the perfect model will clarify what are the most significant variables between the small and medium firms, lower and higher performance firms, and lower and higher internationalisation firms.

How it works:

First is by splitting the variable data. The SPSS programme gives us the ability to split continuous variables into two values or more (Babbie et al., 2018, Cronk, 2017, Field, 2013). Therefore, we are able to split the SMEs into small and medium enterprises. Additionally, the

performance and internationalisation values can be split into low and high values (Cramer, 1994, Field, 2013).

To perform this process by using the SPSS programme, 'First we calculate the median, which is also called the second quartile, which splits our data into two equal parts' (Field, 2009: 23). Therefore, we are able to split the SMEs of this study into two categories by getting the median as a cutting point. The first group will be the small size firms and the second group will be the medium size firms. In addition, the performance category will have two groups. The first one will have all the performance values that are less than the median, which will be the lower performance. On the other hand, the second group will have the rest of the values which are above median, which will be the higher performance. The same process will happen with the internationalisation values. The first group will be all the values less than the median which will be lower internationalisation. The rest of the values will be the values above the median which will be the higher internationalisation.

Second is to test the stability of the new categories and to make sure that these new categories are fit and stable if compared with the main path analysis model of this study (the third model) (Babbie et al., 2018, Cronk, 2017, Field, 2013). The same model fit measures will be used as mentioned earlier in section (6.3.2) such as RMSEA, RMR, GFI, NFI, RFI, IFI, TLI, and CFI (Arbuckle, 2010a, Byrne, 2013a). In addition, there are two more techniques that will be used

in this study to judge the model validation. The first technique is called 'Expected Cross-Validation Index (ECVI)' (Gallagher et al., 2008). This technique is used to compare non-nested models and gives the opportunity to determine the best cross-validated model by using the only single sample of data. To choose the best model from several models regarding the ECVI technique, 'the smallest ECVI estimate indicates the model with the best fit' (Schermelleh-Engel et al., 2003: 48). The second technique is developed by Akaike in 1987 which is called Akaike Information Criterion (AIC) (Akaike, 1987). This technique is considered as a criterion for model comparison and measures the complexity of the model (Akaike, 1987). In other words, the AIC technique 'adjusts $\chi 2$ for the number of estimated parameters and can be used to compare competing models that need not be nested' (Schermelleh-Engel et al., 2003: 45). The lower values techniques are considered better means of using the model. It is mentioned that 'Therefore it suffices to take either AIC or ECVI into account when looking for the model that minimizes the overall error' (Schermelleh-Engel et al., 2003: 48).

The third is to do a regression analysis for each category by using AMOS software as usual in the previous analysis in this chapter. The results from these analyses will give a clear understanding about the most significant variables for each cluster or category. In addition, the model fit for these analyses will give more stability to the main research analysis of this study (Babbie et al., 2018, Field, 2013, MacInnes, 2016, Miller, 2017). The following section will discuss the three main clusters or categories of this study as mentioned in Figure 6.8.

6.5.1 Applying the perfect model with the Small and medium size firms

Indeed, this study is interested in a specific type of firm which is SMEs. Therefore, it is so meaningful to retest our perfect model with each one of these types of firms. As mentioned before, we used SPSS software to calculate the median as a cut-off point of splitting SMEs. After that, we used the third path-analysis model (the perfect model) to retest the small and the medium firms. Therefore, two main steps will check:

1- The stability of the main model by checking the model fit for both categories.

2- Checking for the most significant variables for each category.

Stability checking

We use the same model fit criteria as mentioned earlier in point (6.3.2) (Arbuckle, 2010b, Field, 2013). These model fit measures such as RMSEA, RMR, GFI, NFI, RFI, IFI, TLI, and CFI (Arbuckle, 2010b, Bentler, 1990, Bentler and Bonett, 1980, Cheung and Rensvold, 2002, Hu and Bentler, 1999, Iacobucci, 2010).

Table 6-23: Model fit summary for Small and medium size firm's category

Model fit index	The value	Cut-off point	References
RMSEA	0.069	- RMSEA ≤ 0.05 perfect fit. - value 0.05 < RMSEA ≤ 0.08 acceptable Fit. - Value 0.08 < RMSEA ≤1.00 marginally fit.	(Arbuckle, 2010b, Bentler, 1990, Cheung and Rensvold, 2002, Field, 2013, Hooper et al., 2008, Hu and Bentler, 1999, Iacobucci, 2010, Kline, 2011)
RMR	0.001	RMR close to zero is perfect fit	
GFI	0.988	= 0 (poor fit). = 1.00 (perfect fit). - between 0.80 and 0.90 (marginal fit) - > 0.90 (satisfactory fit)	
NFI	0.996		
RFI	0.945		
IFI	0.999		
TLI	0.979		
CFI	0.998		

The previous table presents the model fit summary for small and medium size firms' category by using the third path-analysis for this study. Taking a deeper look at the previous table, we found that the value of RMSEA, the root mean square error of approximation, is 0.069. This value is between 0.05 and 0.08 which is considered as an accepted fit (Hair et al., 2010). Another important model fit criteria is RMR, the root mean square residual, the value of RMR is considered a perfect fit when it's close to zero (Byrne, 2016, Hooper et al., 2008). By looking

at the model fit result table, it found that the value of RMR is 0.001 which is considered a perfect fit (Hair et al., 2010).

In addition, other important model fit are those such as GFI, NFI, RFI, IFI, TLI, and CFI. The cut-off point of these criteria is the model where the perfect fit is when the value is equal one and the model is poor fit when the value of these criteria is zero (Hair et al., 2010). While the model may be considered as a marginal fit when the values are between 0.80 and 0.90. Finally, the model is considered as satisfactory fit when the values are greater than 0.90 (Arbuckle, 2010b, Cheung and Rensvold, 2002, Hu and Bentler, 1999). As is clearly seen from the model fit table, it is found that all the values are those closest where all the values are considered perfect fit.

In addition, the following table shows present values of ECVI and AIC. It is clear that the hypothesized model (the default model) has the smallest values when compared with the saturated model and the independence model. This indicates that it is the most stable model in the population (Schermelleh-Engel et al., 2003).

Table 6-24: ECVI and AIC for small and medium size firms' category

Model	ECVI	AIC
Default model	1.104	142.427
Saturated model	1.116	144.000
Independence model	13.039	1682.070

As a conclusion of evaluating the model fit of the small and medium firms' category, it is found that there is stability between the small and medium firm clusters and the main path-analysis model of this study (the perfect model of this study).

Regression results for the small firm group

After checking the model fit of the small and medium firm category, it becomes valuable to the study to check the regression weights for each category seeking the most variables affecting the small firms and medium firms. The following table presents the regression weights for the group number one, which is the small business. The significant point of regression weights is $p \leq 0.05$ of each variable (Arbuckle, 2010b).

Table 6-25: Regression Weights: (Group number 1 - Small firm)

			Estimate	S.E.	C.R.	P
Y1	<---	X1	-.051	.101	-.510	.610
Y1	<---	X2	.064	.112	.572	.567
Y1	<---	X3	.235	.116	2.019	.043
Y1	<---	X4	.251	.114	2.212	.027
Y1	<---	X5	.235	.062	3.778	***
Y1	<---	X6	.186	.115	1.609	.108
Y2	<---	Y1	.454	.098	4.634	***
Y2	<---	X1	.118	.080	1.485	.137
Y2	<---	X2	-.038	.088	-.436	.663
Y2	<---	X3	.084	.094	.886	.376
Y2	<---	X6	.264	.099	2.659	.008

Small firms in this study are those firms having from ten to fifty employees and paid in capital from 50,000 to less than one million Egyptian pounds (see Chapter Two - point number 2.4.3). It is clear from the previous regression table that there is a significant relationship between the dependent variable Y1 and the independent variables of X3, X4, and X5 with a P value of 0.043, 0.027, and 000 respectively. This means that small firms in this study are of more interest in the relationship between DOI and the variables of human capital, social networks, and governmental networks. In addition, the performance of SMEs has a significant relationship with the firm performance and international networks with a P value of (000 and 0.008) respectively.

Regression results for medium firm group

Medium firms in this study are those firms that have from 51 to less than one hundred employees and paid in capital from one million to less than ten million Egyptian pounds as mentioned in Chapter Two.

Table 6-26: Regression Weights: (Group number 2 - Medium firm)

			Estimate	S.E.	C.R.	P
Y1	<---	X1	.458	.075	6.107	***
Y1	<---	X2	.174	.079	2.201	.028
Y1	<---	X3	.080	.082	.970	.332
Y1	<---	X4	.183	.072	2.535	.011
Y1	<---	X5	-.006	.049	-.122	.903
Y1	<---	X6	.216	.070	3.086	.002
Y2	<---	Y1	.357	.098	3.648	***
Y2	<---	X1	.132	.080	1.657	.098
Y2	<---	X2	.196	.066	2.972	.003
Y2	<---	X3	.153	.069	2.222	.026
Y2	<---	X6	.047	.064	.743	.458

It is clear from the previous regression table that there is a significant relationship between Y1 and the independent variables of X1, X2, X4, and X6 with a P value of (000, 0.028, 0.011, and 0.002) respectively. On the other hand, there is a significant relationship between Y2 and the variables of Y1, X2, and X3 with a P value of (000, 0.028, 0.003, and 0.026) respectively.

6.5.2 Applying the lower and higher performance for the perfect model

As previously, this group split the performance into two groups of firms with low performance and another group of firms with high performance. Indeed, we have to stress that all SMEs in this study have good performance activities if compared with most of the SMEs working in the wood industry in Damietta. However, some of these firms in our sample have higher performance than the others. Therefore, it is meaningful to understand the difference between the lower and the higher performers in this research.

Stability checking

The same model fit criteria will be used to judge the stability of the low and high performance cluster. The following table presents a summary of the model fit index with the cut-off point for each of them.

Table 6-27: Model fit summary for lower and higher performance category

Model fit index	**The value**	**Cut-off point**	**References**
RMSEA	0.000	- RMSEA ≤ 0.05 perfect fit. - value 0.05 < RMSEA ≤ 0.08 acceptable Fit. - Value 0.08 < RMSEA ≤1.00 marginally fit.	(Arbuckle, 2010b, Bentler, 1990, Cheung and Rensvold, 2002, Field, 2013, Hooper et al., 2008, Hu and Bentler, 1999, Iacobucci, 2010, Kline, 2011)
RMR	0.001	RMR close to zero is perfect fit	
GFI	0.994	= 0 (poor fit). = 1.00 (perfect fit). - between 0.80 and 0.90 (marginal fit) - > 0.90 (satisfactory fit)	
NFI	0.994		
RFI	0.911		
IFI	1.00		
TLI	1.01		
CFI	1.00		

As can be seen from the previous model fit table, all the model fit criteria are considered a good fit. The value of RMSEA is (0.000) which is considered perfect fit (Hair et al., 2010). Also, the value of RMR is considered a perfect fit because it is close to zero with a value of 0.001 (Hooper et al., 2008).

Moreover, other important model fit are those such as GFI, NFI, RFI, IFI, TLI, and CFI. They have perfect fit with value of 0.994, 0.994, 0.911, 1.00, 1.01, and 1.00 respectively. The model is considered as satisfactory fit when they have a value being greater than 0.90 (Arbuckle, 2010,

Cheung and Rensvold, 2002, Hu and Bentler, 1999). It is obvious from the model fit table that all the values are those close to one or equal to one meaning it is the perfect fit.

Moreover, the following table indicates the values of ECVI and AIC which give more validation and stability to this model. As previously mentioned, these two techniques should be at the smallest value when compared with the other models (Schermelleh-Engel et al., 2003). In the following table the values of the default model of ECVI and AIC are considered as a perfect value when compared with the other models, because these values are smaller than the saturated model and the independence model.

Table 6-28: ECVI and AIC for lower and higher performance category

Model	ECVI	AIC
Default model	1.080	139.352
Saturated model	1.116	144.000
Independence model	4.331	558.681

As a conclusion of evaluating the model fit of the low and high performance firms' category, there is a stability between low and high performance firms' category and the main path-analysis model of this study (the perfect model of this study).

Regression results for the lower performance firm group

The following table presents the regression weights for group number one, which is the lower performance firm group. The significant point of regression weights is $p \leq 0.05$ of each variable (Arbuckle, 2010b).

Table 6-29: Regression Weights: (Group number 1 - lower performance firms)

			Estimate	S.E.	C.R.	P
Y1	<---	X1	.204	.097	2.108	.035
Y1	<---	X2	.135	.093	1.443	.149
Y1	<---	X3	.134	.109	1.225	.221
Y1	<---	X4	.157	.086	1.821	.069
Y1	<---	X6	.277	.102	2.712	.007
Y1	<---	X5	.078	.059	1.319	.187
Y2	<---	X1	.169	.079	2.148	.032
Y2	<---	X2	.183	.072	2.547	.011
Y2	<---	X3	-.001	.087	-.010	.992
Y2	<---	X6	.099	.084	1.169	.242
Y2	<---	Y1	.278	.100	2.779	.005

It is clear from the previous table that there are significant relationships between Y1 and the variables of X1 with P value of 0.035 and X6 P-value of 0.007. On the other hand, there are significant relationships between Y2 and the variables of X1 with P-value of 0.032, and the variable of X2 with P-value of 0.011. In addition, there is a very strong significant relationship between Y2 and Y1 with P-value of (005).

Regression results for the higher performance firm group

The following table presents the regression weights for group number two which is the higher performance firm group. As usual, the significant point of regression weights is $p \leq 0.05$ of each variable (Arbuckle, 2010b).

Table 6-30: Regression Weights: (Group number 2 - higher performance firms)

	Estimate	S.E.	C.R.	P
Y1 <--- X1	.287	.092	3.100	.002
Y1 <--- X2	.191	.111	1.711	.087
Y1 <--- X3	.118	.100	1.177	.239
Y1 <--- X4	.280	.104	2.688	.007
Y1 <--- X6	.175	.087	2.001	.045
Y1 <--- X5	.086	.062	1.396	.163
Y2 <--- X1	-.044	.059	-.740	.460
Y2 <--- X2	-.004	.061	-.064	.949
Y2 <--- X3	.236	.057	4.165	***
Y2 <--- X6	.157	.054	2.907	.004
Y2 <--- Y1	.452	.068	6.624	***

It is obvious from the previous table that Y1 has a good relationship between X1, X4, and X6 with a significant P value of 0.002, 0.007, and 0.045. In this group of higher performance firms, it is found that there is more interest in the variables of human capital and international networks. It is clear that there is a significant relationship between Y2 and the variables of X3 with P-value of (000) and the variable of X6 with P-value of 0.004. Also, there is a significant relationship between Y2 and Y1 with P-value of (000).

6.5.3 Applying lower and higher internationalisation for the perfect model

As with the two previous groups, this group has been split by internationalisation activities into two categories of low and high internationalisation firms. Indeed, we have to stress again that all wood industry firms in this study are considered as internationalisation firms due to their participation in some international activities. However, some of these firms are considered as being more highly internationalised than others. Therefore, it is good opportunity to understand the difference between the lower and the higher internationalisation in this research.

Stability checking

The same model fit criteria will be used to judge the stability of the low and high performance clusters. The following table presents a summary of the model fit index with the cut-off point for each of them.

Table 6-31: Model fit summary for lower and higher internationalisation category

Model fit index	**The value**	**Cut-off point**	**References**
RMSEA	0.000	- RMSEA ≤ 0.05 perfect fit. - value 0.05 < RMSEA ≤ 0.08 acceptable Fit.	(Arbuckle, 2010b, Bentler, 1990, Cheung and

		- Value 0.08 < RMSEA ≤1.00 marginally fit.	Rensvold, 2002, Field, 2013, Hooper et al., 2008, Hu and Bentler, 1999, Iacobucci, 2010, Kline, 2011)
RMR	0.001	RMR close to zero is perfect fit	
GFI	0.994	= 0 (poor fit). = 1.00 (perfect fit). - between 0.80 and 0.90 (marginal fit) - > 0.90 (satisfactory fit)	
NFI	0.994		
RFI	0.916		
IFI	1.02		
TLI	1.02		
CFI	1.00		

It is clear from the previous model fit table that all the model fit criteria are a good fit. The value of RMSEA is (0.000) which is considered a perfect fit (Hair et al., 2010). In addition, the value of RMR is considered a perfect fit because it is close to zero with a value of 0.001 (Hooper et al., 2008).

In addition, the rest of the model fit criteria are considered fit as well such as GFI, NFI, RFI, IFI, TLI, and CFI with the value of 0.994, 0.994, 0.916, 1.0, 1.0, and 1.0 respectively. The model cut-off point is considered as satisfactory fit when they value are greater than 0.90 which are considered as satisfactory fit for all the previous model fit criteria (Arbuckle, 2010, Cheung and Rensvold, 2002, Hu and Bentler, 1999).

Furthermore, the following table presents the model validation by indicating the values of ECVI and AIC. These techniques are considered perfect when the default model values are smaller than the other models (Schermelleh-Engel et al., 2003). This table clarifies that the default model has the smallest values when compared with the other models.

Table 6-32: ECVI and AIC for lower and higher internationalisation category

Model	ECVI	AIC
Default model	1.078	139.088
Saturated model	1.116	144.000
Independence model	4.251	548.440

As a conclusion of evaluating the model fit of the low and high internationalisation category, there is a stability between the low and high internationalisation category and the main path-analysis model of this study (the perfect model of this study).

Regression results for lower internationalisation firm group

The following table presents the regression weights for group number two which is the lower internationalisation firm group. The same cut-off significance point of regression weights is $p \leq 0.05$ (Arbuckle, 2010b).

Table 6-33: Regression Weights: (Group number 1 - lower internationalisation firms)

			Estimate	S.E.	C.R.	P
Y1	<---	X1	.181	.083	2.171	.030
Y1	<---	X2	.044	.083	.529	.597
Y1	<---	X3	.105	.092	1.142	.253
Y1	<---	X4	.171	.077	2.224	.026
Y1	<---	X5	.044	.057	.780	.435
Y1	<---	X6	.292	.083	3.526	***
Y2	<---	Y1	.322	.119	2.696	.007
Y2	<---	X1	.166	.081	2.052	.040
Y2	<---	X2	.174	.076	2.272	.023
Y2	<---	X3	.107	.089	1.206	.228
Y2	<---	X6	.136	.086	1.591	.112

It is clear from the previous regression table that there is a significant relationship between Y1 and the independent variables of X1 with a P value of 0.030 and the variable of X4 with a P value of 0.026. On the other hand, there is a significant relationship between Y2 and the variables of Y1, X1, X2, and X6 with a P value of (000, 0.007, 0.040, and 0.023) respectively.

Regression results for lower internationalisation firm group

The following table presents the regression weights of the second internationalisation group category of the higher internationalisation firm group.

Table 6-34: Regression Weights: (Group number 2 - higher internationalisation firms)

	Estimate	S.E.	C.R.	P
Y1 <--- X1	.219	.086	2.553	.011
Y1 <--- X2	.148	.107	1.384	.166
Y1 <--- X3	.067	.108	.620	.535
Y1 <--- X4	.222	.103	2.157	.031
Y1 <--- X5	.014	.054	.250	.802
Y1 <--- X6	.019	.099	.196	.845
Y2 <--- Y1	.305	.084	3.625	***
Y2 <--- X1	.100	.064	1.551	.121
Y2 <--- X2	-.052	.072	-.717	.473
Y2 <--- X3	.137	.066	2.064	.039
Y2 <--- X6	.031	.070	.451	.652

It is obvious from the previous table that there is a significant relationship between Y1 and the variables of X1 with P-value of 0.011 and X4 with P-value of 0.031. In addition, there is a significant relationship between Y2 and the variables of Y1 and X3 with P-value of 0.000 and 0.039.

6.6 Results of testing Hypotheses H1, H2, and H3

As explained previously for the purpose of testing hypotheses H1, H2, and H3, SEM was selected as the research analysis technique. Path analysis was used to analyse the data for these three hypotheses. Therefore, the direct effect was examined in hypotheses one and two while the indirect effect was examined in hypothesis three.

Table 6-35: The first three hypotheses and showing direct and indirect effect

Hypotheses	H1	H2	H3
Effect	Direct	Direct	Indirect
Variables	Y1 and (X1, X2, X3, X4, X5, and X6)	Y1 and Y2	Y2 and (X1, X2, X3, X4, X5, and X6)

SEM gives the opportunity not only to identify the regression estimate values for each relationship, but also to see these path relations in one diagram, as is shown in the SEM output diagram (Figure 6.7) (Byrne, 2013a, Garson, 1998, Hooper et al., 2008).

Figure 6-4 and Table 3-31 considered the standardised regression weights of the causal paths. Standardised regression coefficient loadings were based on the standard deviations, which are normally used to make coefficients comparable across different pathways (Byrne, 2013b). On the other hand, unstandardized regression coefficients are difficult to compare. The standardization of the coefficients based on the standard deviations of the variables is the approach normally used to make coefficients comparable (Lei and Wu, 2007, McDonald and Ho, 2002).

In general, 'Standardized factor loadings in measurement models should fall between zero and one with higher values suggesting better indications of the observed variables for the latent variable' (Lei and Wu, 2007: 37). These standardized regression weights should not exceed the

value of 1.00 because, theoretically, this might suggest a problem in the data or a high degree of multicollinearity within the collected data (Byrne, 2016, Jöreskog, 1999, Lei and Wu, 2007). Therefore, it is obvious from Figure 6-4 and Table 6.20 that all the standardised regression weights were between zero and one, and no value exceeded the value of 1.00.

Thus, the direct effect and the indirect effects were dependent on the standardised estimate measures. Consequently, these types of standardised estimates enabled the author to create the structural model for this research. Table 6.31 illustrates the research structural model which was created from Table 6.20. This table shows both the direct and the indirect relationship between the independent variables and the dependent variables. Moreover, this table demonstrates the R-Square of each structural equation. R2 can be defined as 'The coefficient of determination (i.e. the proportion of data explained by the model)' (Field, 2009: xxxii). R-squared is the division of explained variation on total variation. The percent of R2 was always between 0% and 100%; the 0% means that the model explains nothing from the variability of the response data around its mean, while the 100% meant that the model completely explained the variability of the response data around its mean. In other words, R2 will have great meaning when it is close to 100% because it means that the data is explained perfectly in the model (Field, 2009). R2 was very essential percentage because it referred to the proportion of the variance in the values of the dependent variable explained by all the independent variables

(Byrne, 2013a, Field, 2009). The structural model of this study was explained by examining each direct and indirect relationship within the first three hypotheses.

Table 6-36: Structural model

R-Square	Structural Model
R^2 Y1 = 90%	Y1= 0.22 X1 + 0.18 X2+ 0.14 X3 + 0.15 X4 + 0.12 X5 + 0.22 X6
R^2 Y2 = 91%	Y2= 0.47 Y1 +0.10 X1 + 0.10 X2 + 0.15 X3 + 0.18 X6

The first part of the structural model (Y1)

The first part of the structural model of (Y1) was related to the first hypothesis H1. The first hypothesis was a null hypothesis, which supposed that there was no relationship between the examined variables (Bryman and Bell, 2007, Field, 2009). This hypothesis assumed that there was no direct effect between the Degree of Internationalisation and International Entrepreneurial Orientation, Entrepreneurial International Experience, Human Capital, Social Networks, Governmental Network, and International Networks. To clarify, this main hypothesis was split into some sub-hypotheses to understand every single direct effect. These sub-hypotheses are as follows:

> **H1A:** There is no direct effect between the Degree of Internationalisation and International Entrepreneurial Orientation.

H1B: There is no direct effect between the Degree of Internationalisation and Entrepreneurial International Experience.

H1C: There is no direct effect between the Degree of Internationalisation Human Capital.

H1D: There is no direct effect between the Degree of Internationalisation Social Network.

H1E: There is no direct effect between the Degree of Internationalisation and Governmental Network.

H1F: There is no direct effect between the Degree of Internationalisation and International Networks.

These direct relationships of the hypotheses (H1A, H1B, H1C, H1D, H1E, and H1F) were clearly apparent as the relationships between the independent variables (X1, X2, X3, X4, X5, and X6) and the dependent variable (Y1). These symbols were used in the SEM to make the diagram easy to read (Lei and Wu, 2007, McDonald and Ho, 2002). These symbols are clearly interpreted in table 6.31. The variables of (X1, X2, X3, X4, X5 and X6) mean International Entrepreneurial Orientation, Entrepreneurial International Experience, Human Capital, Social Networks, Governmental Network and International Networks, respectively.

After testing the first hypothesis using the SEM technique, the structural model of Y1 model tested hypothesis one by introducing all causal paths and direct relationships into one model. This first structural model clarified the causal path relations as follows:

The Degree of Internationalisation, as a dependent variable, was affected directly by the following independent variables: International Entrepreneurial Orientation, with direct effect value of (0.22); Entrepreneurial International Experience, with direct effect value of (0.18); Human Capital, with direct effect value of (0.14); Social Network, with direct effect value of (0.15); Governmental Network, with direct effect value of (0.12); and International Network, with direct effect value of (0.22). R^2 confirmed the proportion of how the sample data was explained perfectly by the model; this is a very important figure because it refers to the percentage of the variance in the values of the dependent variables explained by all the independent variables (Byrne 2013, Field, 2013, MacInnes, 2016, Miller, 2017).

The R^2 in this study for the first model equalled 90%, which meant that the variance in the values of the Degree of Internationalisation as a dependent variable was explained by the independent variables of International Entrepreneurial Orientation, Entrepreneurial International Experience, Human Capital, Social Networks, Governmental Network and International Networks with a percentage of 90%.

Table 6-37: Standardized regression weights of all the causal paths

Hypothesised Relationships		Standardised Estimate
From	**To**	
IEO	DOI	.220
EIE	DOI	.181
HC	DOI	.142
SN	DOI	.146
GN	DOI	.118
IN	DOI	.224
DOI	SMEs Performance	.471
EIE	SMEs Performance	.103
HC	SMEs Performance	.153
IEO	SMEs Performance	.100
IN	SMEs Performance	.175

As a result of the above discussion, the null hypothesis of H1A was rejected and the alternative hypothesis was accepted. This alternative hypothesis confirmed that there was a direct effect between the Degree of Internationalisation and International Entrepreneurial Orientation, with a direct effect of the standardized regression weights of (0.22).

The null hypothesis of H1B was rejected and the alternative was accepted; a direct effect between the Degree of Internationalisation and Entrepreneurial International Experience, with a direct effect of the standardized regression weights of (0.18).

The null hypothesis of H1C was rejected and the alternative was accepted: a direct effect between the Degree of Internationalisation and Human Capital, with a direct effect of standardized regression weights of (0.14). The null hypothesis of H1D was rejected and the alternative was accepted: a direct effect between the Degree of Internationalisation and Social Networks, with a direct effect of standardized regression weights of (0.15).

The null hypothesis of H1E was rejected and the alternative was accepted: a direct effect between the Degree of Internationalisation and Governmental Network, with a direct effect of standardized regression weights of (0.12).

The null hypothesis of H1F was rejected and the alternative was accepted: a direct effect between the Degree of Internationalisation and International Network, with a direct effect of standardized regression weights of (0. 22).

The second part of the structural model (Y2)

The second part of the structural model of (Y2) was related to the second and the third hypotheses, H2 and H3. These two hypotheses were also considered as null hypotheses, assuming no relationship between the examined variables (Bryman and Bell, 2007, Field, 2009). The second null hypothesis (H2) assumed that there was no direct effect between SMEs' Performance and the Degree of Internationalisation, while the third null hypothesis (H3) assumed that there was no direct effect between SMEs' Performance and the Degree of Internationalisation. The third null hypothesis (H3) was considered to be the main hypothesis, which was split into some sub-hypotheses to understand every single direct effect:

> **H3A:** There is no indirect effect between SMEs' Performance and International Entrepreneurial Orientation.
> **H3B:** There is no indirect effect between SMEs' Performance and Entrepreneurial International Experience.
> **H3C:** There is no indirect effect between SMEs' Performance and Human Capital.
> **H3D:** There is no indirect effect between SMEs' Performance and Social Network.
> **H3E:** There is no indirect effect between SMEs' Performance and Governmental Network.
> **H3F:** There is no indirect effect between SMEs' Performance and International Network.

The second part of the structural model of (Y2) confirmed that there was a direct effect between the SMEs' performance as a dependent variable and the Degree of Internationalisation as an

independent variable. Furthermore, this structural model confirmed that there was an indirect effect between the SMEs' performance as a dependent variable and only the following independent variables: Entrepreneurial International Experience, Human Capital, International Entrepreneurial Orientation, and International Networks.

According to the second hypothesis (H2), the second part of the structural model of (Y2) and table 6.19 of Standardized Direct, Indirect and Total Effects answered the second hypothesis (H2). These confirmed that there was a direct effect between SMEs' performance and the Degree of Internationalisation, with a value of (0.471). Thus the Degree of Internationalisation in this study had a standardized direct effect, with a value of (0.471), on the performance of SMEs' in the wood and furniture industry.

Table 6-38: Standardized direct, indirect and total effects

Effects		**x6**	**x5**	**x4**	**x3**	**x2**	**x1**	**y1**
Direct	y1	.224	.118	.146	.142	.181	.220	.000
	y2	.175	.000	.000	.153	.103	.100	.471
Indirect	y1	.000	.000	.000	.000	.000	.000	.000
	y2	.106	.056	.069	.067	.085	.104	.000
Total	y1	.224	.118	.146	.142	.181	.220	.000
	y2	.281	.056	.069	.220	.188	.203	.471

According to the second hypothesis (H3), the second part of the structural model of (Y2) and table 6.20 of the standardised regression weighted all the causal paths, and, also table 6.33 of Standardized Direct, Indirect and Total Effects answered this hypothesis. These confirmed that there was an indirect effect between the SMEs' performance as a dependent variable and these independent variables: Entrepreneurial International Experience, Human Capital, International Entrepreneurial Orientation, and International Networks with indirect effect values of (0.103, 0.153, 0.100, and 0.175), respectively. This meant that Social Networks and Governmental Network variables had no indirect effect on SMEs' performance.

As a result of discussing the second and third hypotheses, it can be concluded that the null hypothesis of H2 was rejected and the alternative was accepted. This alternative hypothesis confirmed that there was a direct effect between SMEs' performance and the Degree of Internationalisation, with a direct effect of the standardized regression weights (0.471).

The null hypothesis H3A was rejected and the alternative was accepted: an indirect effect between SMEs performance and International Entrepreneurial Orientation, with a direct effect of standardized regression weights (0.100). The null hypothesis H3B was rejected and the alternative was accepted: an indirect effect between SMEs' performance and Entrepreneurial International Experience, with a direct effect of standardized regression weights of 0.103.

The null hypothesis of H3C was rejected and the alternative was accepted: an indirect effect between SMEs' performance and Human Capital, with a direct effect of standardized regression weights of 0.153. The null hypothesis of H3F was rejected and the alternative was accepted: an indirect effect between SMEs' performance and International Networks, with a direct effect of standardised regression weights of 0.175. However, the null hypotheses of H3D were accepted and the alternative hypotheses were rejected. This meant that there was no indirect effect between SMEs' performance and Social Networks of (H3D). In addition, there was no indirect effect between SMEs' performance and Governmental Networks of (H3D).

6.7 Summary of results

In summary, two important types of research results are applied in this study. They are: firstly, the results from the focus groups, and secondly, the results from the structure equation modelling. The focus group is considered to be one of the unique techniques to generate data based on the collaboration of the group interaction. Therefore, we have taken this opportunity to understand more about the wood and furniture industry in this unique region; Damietta. Furthermore, the focus group enabled the author to concentrate on related theories because internationalisation and performance of SMEs literature contains so many theories that are applicable in this field. The author found that the focus group was a brilliant technique to cope with this issue, because members involved in this focus group have true experience in some areas related to the wood and furniture industry in Damietta.

Therefore, this focus group technique is used as an exploratory research approach. This exploratory study will be very important to understand the important factors related to the research theory in the wood and furniture industry of Egyptian SMEs. In detail, the main six constructs and their measures have been discussed fairly to make sure that they are applicable to the Egyptian environment especially in Damietta governorate. Finally, the focus group enabled the author to answer the research questions and research hypotheses.

Conversely, the results from the structural equation modelling technique are quite interesting because these account for covariation and variation of the measured variables to explain, as much as possible, the variance among a set of variables. SEM models enabled the researcher to test and estimate the linear relationship between the variables in the theoretical network. Finally, it is a comprehensive statistical approach that can test hypotheses concerning direct and non-direct relationships across a set of observed and latent variables (unobserved). The following table gives a brief summary of the hypotheses testing results.

Table 6-39: Summary of hypotheses testing results

Hypotheses	**Results**	**Accept/Reject**
H1A: There is no direct effect between the Degree of Internationalisation and International Entrepreneurial Orientation.	There is a direct effect between them with the value of (0.22).	Reject the null hypothesis and accept the alternative hypothesis.
H1B: There is no direct effect between the Degree of Internationalisation and Entrepreneurial International Experience.	There is a direct effect between them with the value of (0.18).	Reject the null hypothesis and accept the alternative hypothesis.
H1C: There is no direct effect between the Degree of Internationalisation Human Capital.	There is a direct effect between them with the value of (0.14).	Reject the null hypothesis and accept the alternative hypothesis.
H1D: There is no direct effect between the Degree of Internationalisation Social Network.	There is a direct effect between them with the value of (0.15).	Reject the null hypothesis and accept the alternative hypothesis.
H1E: There is no direct effect between the Degree of Internationalisation and Governmental Network.	There is a direct effect between them with the value of (0.12).	Reject the null hypothesis and accept the alternative hypothesis.
H1F: There is no direct effect between the Degree of Internationalisation and International Network.	There is a direct effect between them with the value of (0.22).	Reject the null hypothesis and accept the alternative hypothesis.

Hypotheses	Results	Accept/Reject
H2: There is no direct effect between SMEs' Performance and Degree of Internationalisation.	There is a direct effect between them with the value of (0.471).	Reject the null hypothesis and accept the alternative hypothesis.
H3A: There is no indirect effect between SMEs' Performance and International Entrepreneurial Orientation.	There is indirect effect between with the value of (0.100).	Reject the null hypothesis and accept the alternative hypothesis.
H3B: There is no indirect effect between SMEs' Performance and Entrepreneurial International Experience.	There is indirect effect between with the value of (0.103).	Reject the null hypothesis and accept the alternative hypothesis.
H3C: There is no indirect effect between SMEs' Performance and Human Capital.	There is indirect effect between with the value of (0.153).	Reject the null hypothesis and accept the alternative hypothesis.
H3D: There is no indirect effect between SMEs' Performance and Social Network.	There is no indirect effect between them	Accept The null hypothesis and reject the alternative hypothesis.
H3E: There is no indirect effect between SMEs' Performance and Governmental Network.	There is no indirect effect between them	Accept The null hypothesis and reject the alternative hypothesis.
H3F: There is no indirect effect between SMEs' Performance and International Network.	There is indirect effect between with the value of (0.175).	Reject the null hypothesis and accept the alternative hypothesis.

Indeed, results from the data analysis deliver further empirical evidence of the relationship between the degree of internationalisation related to entrepreneurial orientation (as international Entrepreneurship theory), international entrepreneurial experience, and human capital (as resource-based view theory), and three main network links related to the Egyptian environment which are the social, governmental, and international networks (as network theory).

This research precisely provides empirical evidence that SMEs' international entrepreneurial experience, human capital, social, governmental, and international networks directly facilitate their degree of internationalisation. On the other hand, only international entrepreneurial experience, human capital, and international networks indirectly enhance firm performance. However, it has been found that social and governmental network have little impact on the firms' performance. The main relationship of concern to this research, which is the relationship between the degree of internationalisation and firm performance, has been confirmed with a direct significant impact. These research results will be discussed in the following chapter, which will discuss the research findings and contribution of this study.

6.8 Chapter conclusion

This chapter has analysed the data collected from the research sample of SMEs in the wood and furniture industry of Damietta, Egypt, depending on inferential statistics. The first part discussed the descriptive data. Firms' profiles and the representative profile were the two main

categories of this section. The firm profile was concerned with the number of employees, capital of SMEs, annual sales of SMEs and time in business. The number of employees and the capital of SMEs together were very important to ensure that the sample was defined correctly regarding the Egyptian SMEs definition, and removed any firm above or below the criteria of it. Annual sales of SMEs were quite good because more than 60% of the total sample exceeded one million Egyptian pounds from wood and furniture annual sales. Regarding time in business for SMEs, more than 70% of SMEs in the sample had 11 years of accumulative experience in this field of business.

On the other hand, the respondent profile was designed to give a picture of the respondents' position, their own work experiences, and interesting demographic information. The majority of respondents were SME owners (over 80%), and about 70% of the sample had more than 10 years of work experience in the area of wood and furniture industry. The demographic information was interesting, because most of the respondents in the sample were males (more than 98%), aged over 40 years, and more than 50% had been educated to below graduate level.

The second part of this chapter concerned hypotheses testing. The first three hypotheses were calculated by using SEM technique with AMOS version 22.0. Frequency analysis and cross-tabulation technique were used with the fourth hypothesis. Testing these hypotheses provided some important results: firstly, there was a direct effect between the Degree of

Internationalisation and International Entrepreneurial Orientation, Entrepreneurial International Experience, Human Capital, Social Networks, Governmental Network, and International Networks, as tested in hypothesis one. Secondly, there was a direct effect between SMEs' performance and the Degree of Internationalisation, as mentioned under hypothesis two. Thirdly, there were indirect effects between SMEs' Performance and only International Entrepreneurial Orientation, Entrepreneurial International Experience, Human Capital, and International Networks, as mentioned under hypothesis three. Finally, international exhibitions were the most common entry mode of Egyptian Furniture SMEs, as mentioned under hypothesis four.

The next chapter will discuss the results of the research findings of this chapter. In addition, the following chapter will discuss the main research contributions of this study.

CHAPTER 7: RESEARCH FINDINGS

7.1 Introduction

The previous chapter discussed the research analysis and hypotheses testing. While this chapter focuses on the interpretation of the research findings. This chapter will present four main findings which will be first findings related to DOI, second findings related to firm performance, third findings related the relationship between DOI and firm performance, and finally will state findings related to the entry mode.

7.2 Findings related to DOI

First: impact of entrepreneurship on DOI

Entrepreneurship and firm internationalisation have become very important, previous studies assume that entrepreneurship and international entrepreneurship contributes to firm internationalisation (Hessels, 2008). Entrepreneurial orientation (EO) is used from the internationalisation perspective which becomes international entrepreneurial orientation (IEO). The same dimensions of EO are the same as IEO but from the internationalisation process point of view (McDougall and Oviatt, 2000, Reuber et al., 2018, Schwens et al., 2018, Zahra and George, 2002).

IEO was discussed in the focus group. As they express the great importance of role of entrepreneurs in SMEs, especially in the Damietta furniture industry. In addition, IEO dimensions have also been discussed and were found to agree with the literature concerning the three main dimensions of innovativeness, pro-activeness, and risk-taking (Barrett and Weinstein, 1998, Covin and Miller, 2011, Lumpkin and Dess, 1996).

Regarding the statistical results of the study, EO was found to have a positive impact and plays an important role in DOI by Damietta SMEs in the furniture industry. Based on the data analysis and hypotheses testing results (see chapter 6), there is a significant relationship between international entrepreneurial orientation and DOI. The model fits very well with adjusted R2 of 0.90 showing that 90.0% of the observed variability in international entrepreneurial orientation is explained by DOI factors. The beta weights show that the highest effect on international entrepreneurial orientation occurred by perceived relative advantage with statistically positive significant direct effect on (B= 0.250, P= 0.00).

In addition, it is also found that the relationship between international entrepreneurial orientation and DOI of most of the study categories are statistically positively significant. It indicates in Chapter Six in point 6.5 that the third structure path analysis model (the perfect model) could be interpreted by splitting them into categories such as: small and medium firms, low and high performance firms, and low and high internationalisation firms. It is clear that

international entrepreneurial orientation is a very important part of the study of the wood and furniture industry in Damietta firms. It is found in this study that the relationship between international entrepreneurial orientation and DOI in the medium size firm category is considered statistically positively significant with (B= 0.458, P= 0.00). In addition, the relationship between international entrepreneurial orientation and DOI in both categories of low and high firm performance, and low and high firm internationalisation are considered crucially important. That is because this relationship in the category of low and high firm performance is considered statistically positively significant with (B= 0.204, P= 0.35) for the lower performance firms and with (B= 0.287, P= 0.02) for the higher performance firms. Moreover, this relationship in the category of low and high firm internationalisation is considered statistically positively significant with (B= 0.181, P= 0.030) for the lower internationalisation firms and with (B= 0.219, P= 0.011) for the higher internationalisation firms.

The above results indicate high support of the previous literature when discussing the relationship between IEO and DOI (Covin and Miller, 2011, Hessels, 2008, Javalgi and Todd, 2011, Kurtulmuş and Warner, 2015, Mahmood and Hanafi, 2013, McDougall and Oviatt, 2000, Shan et al., 2016, Zahra and George, 2002) . In addition, this indicates a growing body of evidence that suggests that EO is critical for the international survival and growth of firms (Wiklund and Shepherd, 2003a). Furthermore, prior literature supports a positive relationship between entrepreneurial orientation and the internationalisation activity of exporting (Jiang et

al., 2018, Lumpkin and Dess, 1996, Schwens et al., 2018, Taylor, 2013). In addition, as supported by the study of Radulovich that mentioned 'an entrepreneurial orientation was found to have a positive and significant relationship with an SME's degree of internationalization' (Radulovich, 2008: 182). This study confirms that EO is considered 'as an antecedent to international expansion' (Radulovich, 2008:182).

On the other hand, the relationship between IEO and DOI is not always significant (Oyson, 2014). Therefore, he mentioned that 'international orientation among many of the case entrepreneurs is not insignificant. An entrepreneur may potentially perceive an international opportunity, but be uninterested in internationalisation' (Oyson, 2014: 108). This means that IEO does not always have a significant relationship with DOI but in some cases, this relationship is becoming insignificant (Angelmar and Pras, 1984, Dichtl et al., 1984, Oyson, 2014, Roth, 1995). The cause of this contradiction may be due to reasons such as the differences in the country context or its environment in addition to the differences in data analysis techniques (Kiss et al., 2012, Stewart et al., 2008).

Finally, this indicates a strong and important relationship between international entrepreneurial orientation and DOI especially in the study of wood and furniture industry in Damietta firms. The following section will discuss the findings related to the relationship between firm resources and DOI.

Second: Impact of firm resources on DOI

A resource-based view argues that each firm has some resources and capabilities are considered as the core of their competitive advantage under certain conditions (Mahoney and Pandian, 1992, Theriou et al., 2009). The focus group provided crucial support on this part of the study. There are so many resources that could be considered as so much is related to this study making it very difficult to study them all, however, the focus group provided a very good solution to enable the reduction of all these resources down to the most important and relevant resources to achieve the study objectives. Therefore, the two most vital resources that are strongly related to the wood and furniture industry SMEs in Egypt are entrepreneurial experiences and human capital (Abdallah et al., 2016, El-Meehy, 2002).

Regarding the statistical results of the study, entrepreneur experiences and human capital were found to have a positive impact and play an important role in DOI by the Damietta SMEs in the furniture industry. Based on the data analysis and hypotheses testing results (see Chapter 6), the regression weights for the third structural model in table 6.20 indicate a significant relationship between DOI and both entrepreneurial experiences and human capital. The model was a very good fit with adjusted R2 of 0.90 showing that 90.0% of the observed variability in entrepreneurial experiences and human capital is explained by DOI factors. The beta weights show that the highest effect on entrepreneurial experiences and human capital occurred by

perceived relative advantage with a direct effect (B= 0.155 and B= 0.149) respectively. In addition, the P-value was less than 0.05 with (P= 0.025 and P= 0.040) respectively.

Furthermore, it is also found that there are some positive relationships between the entrepreneurial experiences and human capital on one side and the study categories of ' small and medium firms' category',' low and high firm performance category', and 'low and high firm internationalisation category' as mentioned in Chapter Six in point 6.5 that the third structure path analysis model (the perfect model). It is found that the relationship between HC and DOI in small size firm category is considered statistically positively significant with (B= 0.235, P= 0.043). Moreover, the relationship between EIE and DOI in medium size firm category is considered statistically positively significant with (B= 0.174, P= 0.028). In addition, it is found statistically positively significant between EIE and DOI in lower firm performance category with (B= 0.277, P= 0.035).

The result of the relationship between EIE and DOI is supported by the literature. Previous entrepreneurial experience may also assist entrepreneurs with the development of more successful and efficient internationalisation strategies: 'Business ownership experience may add to the entrepreneur's existing human capital endowment, allowing the entrepreneur to access additional resources, and possibly adding value to the entrepreneur's subsequent activities' (Ucbasaran et al., 2003: 209). In addition, entrepreneurs or managers with foreign

work experience were able to quickly internationalise their operations and to do so successfully (Zahra and George, 2002).

The result of the relationship between HC and DOI is supported by the literature. Human capital is significant in explaining SMEs' internationalisation (Akoten and Otsuka, 2007, Hitt et al., 2003, Padmasiri, 2012). In addition, Zahra mentioned in his article 'International Entrepreneurship, The Current Status of the Field and Future Research Agenda' that intangible assets can significantly influence the DOI (Zahra and Garvis, 2000, Zahra and George, 2002). Moreover, Johanson and Vahlne (1990) in their study of 'The mechanism of internationalisation' indicate that enterprises that have some international experience will have more internationalisation opportunities. Furthermore, Javalgi and Todd (2011) indicate the important role of human capital and international experience, they state that 'human capital is positively related to the degree of internationalization of Indian SMEs is supported by the results of this study' (Javalgi and Todd, 2011: 1008). Additionally, they mention the important relationship between international experience and DOI: ' international experience were significant as predictors of the degree of internationalization of the firm' (Javalgi and Todd, 2011: 1008). Moreover, some other studies indicate a strong link between human capital and international experience implies that business owners, as well as policy-makers, should focus on fostering this in order to stimulate export growth by SMEs (Cerrato and Piva, 2012, Javalgi and Todd, 2011).

Generally, many research studies refer to the importance of firm resources in facilitating firm internationalisation (Dhanaraj and Beamish, 2003, Ruzo et al., 2011, Schubert et al., 2018). However, each research study has its own critical resources and capabilities that enables some competitive advantage in their local or international market (Lommelen, 2004, Teece et al., 1997). Therefore, a single study should examine a perspective of its own unique and critical resources and capabilities because the industrial, the economic and the environment differ from one country to another and from one industry to another (Dhanaraj and Beamish, 2003, Foss, 1997a). Thus, this study depends on the focus group to determine the unique resources. It is found that so many resources and capabilities are related to the industry of wood and furniture in Damietta, Egypt. However, the uniquely skilled and talented workforce is considered to be one of the most important resources for a firm in this industry in this particular region (El-Meehy, 2002, IMC, 2010, Padmasiri, 2012). Entrepreneurial international experience is also considered to be one of the most important resources that enables furniture firms to acquire knowledge to enable them to better access international market (Athanassiou and Nigh, 2002, El-Saady, 2011). In fact, the two firm resources of HC and EIE of this study are aligned with the ideas of the main research theory of this research which is the Uppsala model of internationalisation (see point: 3.8 critically links the Uppsala model with the theories of this study).

Finally, this section discussed the relationship between the RBV and DOI and their importance to this study. The next section will discuss the findings related to the relationship between the firm network and DOI.

Third: impact of firm networking on DOI

Networks provide great sources of information and knowledge among the network members (Jiang et al., 2018, Musteen et al., 2010). Network relationships speed up the degree of internationalisation and improve firm performance (Mattsson, 1985). Networks depend mainly on mutual trust, sharing knowledge, and a commitment between the network members (Jiang et al., 2018, Johanson and Mattsson, 1987, Mattsson and Johanson, 1993, Yamin and Kurt, 2018).

The focus group of this study indicates the vast importance on the role of networks in the furniture industry in Damietta, and how these networks influence firms' DOI and performance. In addition, the most relevant networks to this study are: social, governmental, and international networks. It has been mentioned that all networks connected to the wood and furniture SMEs in Damietta are very important for improving performance and international activities. However, these three types of network could be highly important as each may be a consequence of the others. The furniture business in Damietta depends mainly on family businesses, therefore, the social network is considered as being very important for collecting the most vital

information needed for international activities (Ferro et al., 2009, Jenssen, 2001). In addition, Egypt is considered as an emerging economy and most of the furniture firms there are considered as SMEs meaning they have some limitations of resources. Therefore, the governmental institution will be considered as one of the most important and positive financial and marketing solution (Mazumder, 2012, Smallbone and Welter, 2001). Finally, wood and furniture firms in Egypt depend mostly on the knowledge and the experience they have to improve their access to international markets, thus agreeing with the main theory of this study that is: 'the Uppsala model of internationalisation', thus, international networks constitute the third of these networks relations that are related to this study (Musteen et al., 2010).

Regarding the statistical results of the study, firm networks were found to have a positive impact and play an important role in DOI by Damietta SMEs' furniture industry. Based on the data analysis and hypotheses testing results (see Chapter 6), there is a significant relationship between all firm network variables, social, governmental, and international networks, and DOI. The beta weights show that the highest effect on the three network connections of this study between the social, governmental, and international networks occurred by perceived relative advantage with direct effect (B= 0.192, B= 0.089 and B= 0.225) respectively. In addition, the P value was less than 0.05 with (P= 0.003, P= 0.032 and P= 0.00) respectively.

Furthermore, it is also found that there are some positive relationships between the social, governmental, and international networks on one side and the study categories of ' small and medium firms' category',' low and high firm performance category', and 'low and high firm internationalisation category' as mentioned in Chapter Six in point 6.5 that the third structure path analysis model (the perfect model). It is found that the relationship between SN and DOI in small size firm category is considered statistically positively significant with (B= 0.251, P= 0.027). Moreover, the relationship between SN and DOI in the medium size firm category is considered statistically positively significant with (B= 0.183, P= 0.011). In addition, it found statistically positively significant as well in the higher firm performance category with (B= 0.280, P= 0.007). Furthermore, the relationship between SN and DOI in the category of low and high internationalisation is found statistically positively significant with an effect of (B= 0.171, B= 0.026 and B= 0.222) respectively. In addition, the P value was less than 0.05 with (P= 0.003, P= 0.026 and P= 0.031) respectively. While, it is found as positively significant between GN and DOI in the category of small firms with (B= 0.235, P= 0.00). Finally, it is found that the relationship between IN and DOI is significant in most of the previous firm categories. Therefore, it is found to be positively significant in the higher firm performance category with (B= 0.216, P= 0.002). In addition, it is found to be positively significant in both categories of low and high performance with an effect of (B= 0.277 and B= 0.175) respectively and P value was less than 0.05 with (P= 0.007 and P= 0.045) respectively.

Indeed, network relations and internationalisation have been introduced in the literature, which emphasises that network relationships have a great effect on the DOI of firms, especially for SMEs (Coviello and Munro, 1997, Hadley and Wilson, 2003, Johanson and Vahlne, 1977, 2009, Vahlne and Johanson, 2017a, b). In addition, Zahra mentioned in his article 'International Entrepreneurship, The Current Status of the Field and Future Research Agenda' that 'networks can significantly influence the speed and degree of internationalization' (Zahra and George, 2002: 16). Furthermore, it is found that social, governmental, and international networks have a vital relationship with international business activities as will be discussed in the following section.

Many studies have emphasised the importance of knowledge and information derived from social networks in their business activities especially of the international side (Homin Chen and Chen, 1998, Tain-Jy Chen, 2003, Vásquez and Escamilla, 2014, Yamin and Kurt, 2018). Therefore, Ellis (2000b) indicates in his study of 'Social ties and foreign market entry' that social networks are significant areas for discovering and developing new international opportunities. In addition, Ellis and Pecotich (2001) in their study of 'Social factors influencing export initiation in the small and medium-sized enterprise' mentioned that social network connections facilitate access to foreign markets; additionally, social networks gain much information and accumulative knowledge, which enables firms to access international borders (Sapienza et al., 2005, Styles and Ambler, 1994, Yamin and Kurt, 2018, Zhou et al., 2007). Furthermore, Ferro

et al. (2009) study the contribution of social networks in the internationalisation of high-technology Colombian SMEs. They indicated many vital roles for social connection such as that of social network information being linked to firm opportunities and this affects their internationalisation decision-making.

In addition to the social networks, it is found that institutional connections, mainly related to the governmental network in the Egyptian environment, have an important relationship with firm internationalisation (Aparicio et al., 2016). Equally important, (Kefela, 2012) underlined the work of the OECD organisation in 1997. He mentioned that 'Governments support cross-border entrepreneurship and in particular exports with the aim to increase national wealth and to improve international competitiveness of the national economy' (Kefela, 2012: 99). Moreover, it has been indicated that governmental institutional networks play a significant role for creating firm opportunities, especially for smaller businesses, to discover and use more resources and to gain more competitive advantage, which enables them to have more local and international opportunities (Aparicio et al., 2016, Schwens et al., 2011, Smallbone and Welter, 2001).

Regarding the international network, it has been mentioned that the relationship between the international network and DOI is very important, indicating that international network actors are facilitating firms' expansion opportunities abroad and firms' international activities (Benito

and Welch, 1994, Björkman and Forsgren, 2000, Vahlne and Johanson, 2017a). Furthermore, Musteen et al. (2010) in their study of 'The influence of international networks on internationalization speed and performance' of a 155 industrial Czech SMEs indicated that the international network has a vital relationship with DOI; 'the characteristics of Czech SME CEOs international relationships influence the speed with which their firms internationalize and the relative success of such internationalization' (2010: 198). Additionally, Zain and Ng (2006a) in their study of 'The impact of network relationships on SMEs' internationalisation process' of Malaysian SMEs' software indicates that international network relationships are playing an important role to facilitate their internationalisation process for SMEs working in software in Malaysia. Finally, Hilmersson and Jansson (2012) in their study of 'International network extension processes to institutionally different markets: Entry modes and processes of exporting SMEs' agree with our research results as stated in 'The findings of Athanassiou and Nigh (2000), Reuber and Fischer (1997), Vahlne and Johanson (2017) and Hohenthal et al. (2003) were substantiated by finding a strong relationship between the degree of international experience and the likelihood of the SME initiating an international network extension process' (Hilmersson and Jansson, 2012: 691).

In brief, the previous findings mainly agree with the focus group results and the statistical results indicating the vital role of social, governmental, and international networks to the degree of internationalisation of furniture SMEs in Damietta. The following section will discuss the

findings related to firm performance by discussing the impact of entrepreneurship, firm resources, and firm networking.

7.3 Findings related to firm performance

First: Impact of entrepreneurship on firm performance

Generally, the relationship between EO and firm growth and firm performance is very important in the field of business studies especially in small and medium sized firms (Keh et al., 2007, Lumpkin and Dess, 1996). Regarding this study, IEO has been discussed in Chapter Three in point (3.4). The definitions and their importance have been discussed in addition to the relationship with Uppsala model of internationalisation. Moreover, the focus group in this study (see point 6.5 in Chapter Five) emphasised the significant entrepreneurial influence on the furniture industry in Damietta, which plays a very important role of continuous improvement.

Regarding the statistical results of the study, IEO was found to have a positive impact and plays an important role in firm performance of Damietta SMEs' in the furniture industry. Based on the data analysis and hypotheses testing results (see Chapter 6), there is a significant relationship between IEO and DOI. The model was a very good fit with adjusted R2 of 0.90 showing that 90.0% of the observed variability in international entrepreneurial orientation is explained by firm performance factors. The beta weights show that the highest effect on

international entrepreneurial orientation occurred by perceived relative advantage with statistically positively significant direct effect on (B= 0.124, P= 0.18).

In addition, the result of the perfect model in this study (the third model) has been retested regarding the categories of small and medium firms, low and high firm performance and low and high firm internationalisation.(see Chapter 6). It found there that the relationship between IEO and lower performance firms is very valuable by showing it is statistically positively significant with (B= 0.169, P= 0.032). Furthermore, the relationship between IEO and lower internationalisation firms is very valuable too, by showing it is statistically positively significant with (B= 0.166, P= 0.04).

It has been confirmed that the three main entrepreneurial dimensions of innovation, pro-activeness, and risk-taking have been agreed by the focus group and confirmed by much previous literature (McDougall and Oviatt, 2000, Poon et al., 2006, Wiklund and Shepherd, 2003a, Zahra, 1993). In addition, Lumpkin and Dess (1996), as supported by Kusumawardhani (2013b) and Chow (2006), argue that any company that has an effective combination of entrepreneurial dimensions can be considered entrepreneurial. Furthermore, Lumpkin and Dess (1996) rephrases the study of Dess and Lumpkin (2005) 'The role of entrepreneurial orientation in stimulating effective corporate entrepreneurship' and they confirm that 'some firms that are strong in only a few aspects of EO can also be very successful' (Dess and Lumpkin, 2005: 192).

Therefore, all these findings confirm the reason to use the entrepreneurial dimensions of innovation, pro-activeness, and risk-taking to represent the construct of IEO of this study.

Regarding the relationship between entrepreneurial orientation and firm performance, the study result has been confirmed by many previous studies. Kaya and Seyrek (2005) in their study of 'Performance impacts of strategic orientations: Evidence from Turkish manufacturing firms' has confirmed a significant and positive relationship between EO and firm financial performance even if the market is turbulent and unstable (Javalgi and Todd, 2011). Furthermore, other studies have confirmed the positive and significant effect relationship between IEO and firm financial performance; these studies are such as those of Kuivalainen et al. (2007) where they study 'International growth of Finnish software firms: starting points, pathways and outcomes', Keh et al. (2007) in their study entitled: 'The effects of entrepreneurial orientation and marketing information on the performance of SMEs', Jantunen et al. (2005) in their work: 'Entrepreneurial orientation, dynamic capabilities and international performance', and Zhang et al. (2009) in: 'International entrepreneurial capability: The measurement and a comparison between born global firms and traditional exporters in China'. These studies are named to provide examples to confirm the results of this study because they indicated that IEO is a politically influenced strategic performance, which enables firms to gain much competitive advantage in both the local and international markets. In addition, these studies confirmed that

the international entrepreneurial activities of a firm has a direct influence on its financial performance.

On the other hand, the relationship between entrepreneurship and firm performance are not always considered positive and significant. Thus, Lumpkin and Dess (1996) in their study of 'Clarifying the entrepreneurial orientation construct and linking it to performance' have argued that EO may not always directly influence firm performance, and it may have some different effects dependent on the stage of development of the firm. In addition, there are some studies that argue that EO or some of their dimensions may not have a direct influence on firm performance, such as revealed by Varis and Littunen (2010) when discussing the topic of 'Types of innovation, sources of information and performance in entrepreneurial SMEs' of Finish SMEs'. In addition, Frishammar and Andersson (2009) when they studied the topic of: 'The Overestimated Role of Strategic Orientations for International Performance in Smaller Firms' for Swedish SMEs. Furthermore, other articles did not find a positive relationship between EO, especially innovativeness and firm performance, one of which was Pansuwong (2009) in the study of: 'Entrepreneurial Strategic Orientation and Export Performance of Thai Small and Medium-sized Enterprises' of Thai SMEs.

The reasons for any contradictions may be due to differences in country context or environment as well as to the differences in data analysis techniques. In addition, Kraus et al. (2012) reprise

in their work of 'Entrepreneurial orientation and the business performance of SMEs: a quantitative study from the Netherlands' the study of Covin and Slevin (1989) who indicated that EO may not affect firm performance due to the environment of the firm operation, thus they stated that 'EO was not directly related to performance but only the interaction term with environment. Accordingly, the level of EO should be linked to the environment the firm is operating in' (Kraus et al., 2012: 168).

Ultimately, it may be concluded that the role of entrepreneurs in an industry such as the wood and furniture industry in regions such as Damietta, in a country such as Egypt and being an emerging economy, is considered a very significant role that impacts firm performance (El-Kilany, 2014, El-Meehy, 2002). The following section discusses the findings pertaining to the relationship between firm resources and firm performance.

Second: Impact of firm resources on firm performance

The relationship between firm resources on firm performance is always important (Ainuddin et al., 2007). As previously mentioned, firm resources are important to the industry of wood and furniture in Damietta, Egypt. However, the focus group in this study (see point 6.5 in Chapter Five) indicates that there are two crucial resources, that are most closely related to this industry in this particular region, which are human capital and entrepreneurial international experience (Abdallah et al., 2016, El-Meehy, 2002).

Regarding the statistical results of the study, entrepreneurial experience and human capital were found to have a positive impact and play an important role in firm performance by Damietta SMEs' in the furniture industry. Based on the data analysis and hypotheses testing results (see Chapter 6), the regression weights for the third structural model in table 6.20 indicates a significant relationship between firm performance and both entrepreneurial experience and human capital. The model was a very good fit with adjusted R2 of 0.90 showing that 90.0% of the observed variability in entrepreneur experiences and human capital is explained by firm performance factors. The beta weights show that the highest effect on entrepreneurial experience and human capital occurred by the perceived relative advantage with a direct effect (B= 0.124 and B= 0.117) respectively. In addition, the P value was less than 0.05 with (P= 0.018 and P= 0.013) respectively.

Furthermore, it also found that there are some positive relationships between the entrepreneurial experience and human capital and the study categories of ' small and medium firms' category',' low and high firms' performance category', and 'low and high firms' internationalisation category' as mentioned in Chapter Six in point 6.5 that the third structure path analysis model (the perfect model). It is found that the relationship between HC and firm performance in medium size firm category is considered as statistically positively significant with (B= 0.153, P= 0.026). Moreover, the relationship between EIE and firm performance in medium size firm category is considered as statistically positively significant with (B= 0.195, P= 0.003). In

addition, it is found to be statistically positively significant between EIE and firm performance in the lower firm performance category with (B= 0.183, P= 0.011). Moreover, it is found to be statistically positively significant between HC and firm performance in the higher firm performance category with (B= 0.236, P= 0.00). Finally, in the category of low and high internationalisation, it is found that the beta weights show a positive and significant relationship between firm performance and both variables of entrepreneurial experience and human capital for low internationalisation category with a direct effect of (B= 0.157 and B= 0.236) respectively. In addition, the P value was less than 0.05 with (P= 0.004 and P= 0.00) respectively. In addition, it is found to be statistically positively significant between HC and firm performance in the higher firm internationalisation category with (B= 0.137, P= 0.039).

Generally, the supportive relationship between RBV and firm performance has been upheld in many previous studies, which mainly indicates that the fundamental firm sources are considered as one of the main strategic management drivers to create firms' competitive advantage and greater firm performance (Barney, 2000a, 2001, Ismail et al., 2011, Yini Lin and Wu, 2014, Mills et al., 2003, Priem and Butler, 2001, Rivard et al., 2006, Vahlne and Johanson, 2017a). Furthermore, it has been confirmed that each firm has its certain combination of resource capabilities that are: owned, managed, and controlled by firm and this combination will lead to greater firm performance (Ainuddin et al., 2007, Barney, 2000a, 2001, Stewart R Miller and Ross, 2003, Priem and Butler, 2001, Sirmon et al., 2007).

Many studies have examined and categorized firm resources by generally putting them into two main categories 'tangible and intangible resources' (Dhanaraj and Beamish, 2003, Rivard et al., 2006). Tangible resources are believed to be those such as human resources, financial resources, organizational resources and physical resources (Ainuddin et al., 2007, Barney, 2000a). Conversely, other cite that tangible resources are those such as: firm experience, firm reputation and social and cultural aspects (Barney, 2000a, Ismail et al., 2011). Therefore, this research aimed to study and understand the most important resources related to the industry of wood and furniture industry in Damietta. Thus, two main research sources have been used to select the main firm resources related to this study, which are the focus group and previous studies relating to this industry and this region (Abdallah et al., 2016, El-Meehy, 2002).

It has been found that the relationship between HC and firm performance of the entire study result is supported by previous literature such as (Abdullah et al., 2007), (Barney et al., 2001), (Datta et al., 2005), and (Rose et al., 2008). While the relationship between EIE and firm performance has been supported by previous literature such as (Neil A Morgan et al., 2004), (Ainuddin et al., 2007), (Bloodgood et al., 1996), (Hutchinson et al., 2009), and (Ruzo et al., 2011). However, some studies suggested that the differences between entrepreneurial experience and human capital will lead to differences in firm performance, which in turn will lead to making and taking different strategic decisions (Adner and Helfat, 2003, Bailey and Helfat, 2003, Foss, 1997a). In addition, some studies argue that sustained competitive

advantage and firm performance derives from controlling and managing the four main resource attributes of 'value, rarity, imperfect imitability, and non-substitutability' and these firm resources can be viewed as bundles of tangible and intangible assets (Ainuddin et al., 2007, Barney et al., 2001).

Therefore, each industry should carefully choose the right bundle of its tangible and intangible resources to be able to have sustained performance and to have the ability to improve its performance in the future (Jiang et al., 2018, Lin and Wu, 2014). Consequently, some authors have confirmed this point by mentioning that firms calibrating 'which resources are valuable, rare, inimitable, and non-substitutable and how these specific resources attributes affect performance' (Ainuddin et al., 2007: 265). In addition, any differences between the study results and the results from other studies may be because of the differences in industry type, or the country's economic and governmental environment. Also, the difference in methodology or data collected could give some different results and conclusion (Jiang et al., 2018, Kenny and Fahy, 2011, Kraaijenbrink et al., 2010).

Finally, firm resources are considered as one of the most important parts of this study even with DOI or with firm performance. Another very important finding of this research is the relationship between firm networks and firm performance which will be discussed next.

Third: Impact of firm networking on firm performance

Network connection provides a very important source of information and knowledge between the network members, which enables firms to improve their performance and their degree of internationalisation (Johanson and Mattsson, 2015, Mattsson, 1985, Musteen et al., 2010). As mentioned earlier, firms' networks are mainly dependent on, mutual trust, sharing knowledge and commitment between the network members (Forsgren, 2016, Johanson and Mattsson, 1987, 2015, Mattsson and Johanson, 1993, Yamin and Kurt, 2018). The focus group of this study indicates the important influence of the firm network on both firm DOI and performance. As mentioned in Chapter Five point 5.6 that social, governmental, and international networks are considered very important networks relating to the industry of wood and furniture SMEs in Damietta.

Regarding the statistical results of the study, firm networks are considered to be one of the factors most affecting firm performance of Damietta SMEs in the furniture industry. Based on the data analysis and hypotheses testing results (see Chapter 6), the regression weights for the third structural model in table 6.20 indicate a significant relationship between firm performance and the international network. However, the regression weights of the governmental and the social networks are not significant with firm performance, therefore, they were removed from the third path model to achieve a perfect path model. These previous networks have been removed from the third path model because they have less significance or have an insignificant

P value as mentioned in Chapter 6 point 6.4. Therefore, this study finds that the relationship between the international network and firm performance is considered as statistically positively significant with (B= 0.111, P= 0.044). In addition, the relationship between the international network and firm performance in the small size firm category is considered as statistically positively significant with (B= 0.264, P= 0.008). Moreover, the relationship between the international network and firm performance in the categories of higher firm performance is considered as statistically positively significant with (B= 0.183, P= 0.011).

Previous studies indicate some important findings regarding the relationship between firm network and firm performance. It is found that network relationships create firm capabilities' performance (Jiang et al., 2018, Breda Kenny and Fahy, 2011, Zaheer and Bell, 2005). In addition, the study of Machirori (2012) 'The impact of networking on access to finance and performance of SMEs in the Buffalo City Municipality, Eastern Cape, South Africa' (2012: i) indicates the vital importance of the relationship between the firm network and its financial performance, stating: 'The hypothesis under this regression model suggested that there was a significant positive relationship between networking and performance of SMEs. In other words, it was assumed that performance of SMEs was dependent on the networking of the SME' (Machirori, 2012: 116). Furthermore, some previous studies have agreed with the positively significant relationship between the international network and firm performance. The study of Musteen et al. (2010) has examined the relationship between IN on DOI and firm performance

of industrial Czech SMEs, they state: 'Our findings indicate a strong positive association between international network diversity and the performance' (Musteen et al., 2010: 203).

While on the other hand, some studies indicate a significant relationship between social networks and firm performance and between the governmental network and the firm performance. It is indicated in the research of Zhou et al. (2007) when they studied the role of social networks on the relationship between firm internationalisation and firm performance of born-global SMEs, where information from social networks has a vital impact on firm performance. Other researchers such as Burt (1997), Ellis (2000a), Ellis and Pecotich (2001), and Lawrence Welch and Luostarinen (1993) indicate relevant findings between the social network and firm performance. Furthermore, our study indicates that the relationship between the governmental network and the firm performance is insignificant. In contrast, some other studies indicate that governmental institutional networks have a significant relationship with firm performance. The study of Mazumder (2012) highlighted the relationship between Government support and the performance of Bangladeshi manufacturing SMEs and his findings confirmed the important role of governmental network connections on firm performance of Bangladeshi manufacturing SMEs. In addition, Katsikeas et al. (1996) indicates the important information and knowledge gained from governmental institutions, which is very helpful for both firm performance and international activities. Moreover, governmental institutions play an important role of co-ordination between firms and local governmental institutions, or between

firms and external governmental institutions, which is very effective for firm performance and helps to accelerate the internationalisation process (Czinkota, 1994, Mazumder, 2012, Singer and Czinkota, 1994).

The reasons for this contradiction may be due to some differences in the country context or environment in addition to the differences in data analysis techniques. In addition, some cultural constraints in the Damietta governorate may be because of these contradictions between the study result and some previous studies. In other words, most people in Damietta are aware of most wood and furniture industry processes and most of them do not like to share much information because of the fear of high competition in Damietta (El-Kilany, 2014). Therefore, they will only share information with people who are very close to them. Whilst the role of the governmental network does not have an important role with firm performance in this study, this is because the period of collecting the study data followed the revolution of 25th January 2011 and the country subsequently suffered from a couple of years of instability (El-Saady, 2011, Tansel and De Smet, 2018). Therefore, the governmental resources and orientation were redirected to state security and stability (El-Kilany, 2014, El-Saady, 2011).

Finally, firm networks are considered to be one of the most important parts of this study even with DOI or with firm performance. Another very important finding of this research is the relationship between DOI and performance which will be discussed next.

7.4 Findings related to the relationship between DOI and performance

For more than three decades, the relationship between internationalisation and firm performance has been widely explored in literature (Engelen et al., 2015, Majocchi and Zucchella, 2003, Ruigrok and Wagner, 2004, Schwens et al., 2018). Our research results from focus groups and from statistical path models have found that there is a positive, significant relationship between DOI and firm performance of wood and furniture SMEs in Damietta, Egypt. Based on the data analysis and hypotheses testing results (see Chapter 6), a positive and significant relationship between DOI and firm performance is revealed. The beta weights show that the highest effect of DOI on firm performance by perceived relative advantage with a statistically positive significance of (B= 0.390, P= 0.00). In addition, it is found that the relationship between DOI on firm performance of most of the study categories are statistically positively significant. The categories of small and medium firms,, low and high firm performance, and low and high firm internationalisation were indicated in Chapter Six in point 6.5. It is found in this study that the relationship between DOI on firm performance in the category of small and medium size firm category is considered as statistically positively significant with an effect of (B= 0.454 and B= 0.357) respectively and the P-value was less than 0.05 with (P= 0.00 and P= 0.00) respectively. In addition, this study found that the relationship between DOI on firm performance in the category of low and high firm performance is considered as statistically positively significant with an effect of (B= 0.278 and B= 0.452) respectively and the P value was less than 0.05 with (P= 0.005 and P= 0.00) respectively.

Moreover, this study found that the relationship between DOI on firm performance in the category of low and high firm internationalisation is considered as statistically positively significant with an effect of (B= 0.322 and B= 0.305) respectively and the P value was less than 0.05 with (P= 0.007 and P= 0.00) respectively.

All the above results confirm that firm internationalisation is positively and significantly affecting firm performance in the industry of wood and furniture in Damietta. However, the question of to what extent firm internationalisation impacts firm performance is considered one of the more controversial questions in the international business field (Ruigrok et al., 2007, Ruigrok and Wagner, 2004, Werner, 2002). Consequently, previous literature in the area of the relationship between internationalisation and performance indicates that 'the findings generated by this research stream have been inconclusive and contradictory' (Ruigrok et al., 2007: 350). These results have been supported by many scholars such as (Capar and Kotabe, 2003) in their study of 'The relationship between international diversification and performance in service firms', (Contractor et al., 2003) when discussing the international expansion and the link between multi-nationality and performance, (Ruigrok and Wagner, 2004) in the study of meta-analysis of the relationship between internationalisation and firm performance, (Ruigrok et al., 2007) in their study of the relationship of the degree of internationalisation and firm performance of Swiss firms, (López-Morales et al., 2015) in the study of reviewing the relationship between multi-nationality and firm performance and (Sullivan, 1994) in their study

of the relationship between the degree of internationalisation and firm financial performance of 181 American and European MNCs.

Therefore, some studies argue that there is a positive effect between firm internationalisation and firm performance such as Hajela and Akbar (2007) when studying this relationship in software SMEs in India, they confirmed the positive correlation between firm internationalisation and firm performance. In addition, Bausch and Krist (2007) in their study of performing a meta-analysis of the moderators of the relationship between internationalisation and performance. Moreover, Pangarkar (2008) examines the relationship between DOI SMEs' performance in Singapore and also confirms 'that DOI positively impacts performance' (Pangarkar, 2008: 475). On the other hand, some studies find a negative or insignificant relationship between internationalisation and firm performance such as Collins (1990) when researching the internationalisation and performance of U.S firms who have international activities in developing countries in three groups that found 'that there are no statistically significant differences in market performance among the three' (Collins, 1990: 271). In addition, Michel and Shaked (1986) in their study of comparing domestic firms with multinational firms found a negative relationship between DOI and firm financial performance. Furthermore, López-Morales and Gómez-Casas (2014) in their empirical and conceptual study of the relationship between DOI and firm performance refers to the study of Gomes and

Ramaswamy (1999) when ‘the relationship between multinational firms and performance' was examined and they also confirm a negative impact of DOI on firm performance.

Therefore, previous literature does not give a clear conclusion about the effect of DOI on firm performance (Bae et al., 2008, Bausch and Krist, 2007, Krist, 2009, Vahlne and Johanson, 2017a). Furthermore, López-Morales and Gómez-Casas (2014) confirm these findings: 'the empirical evidence does not provide conclusive results about the effects of the DOI in the performance' (López-Morales and Gómez-Casas, 2014: 40). The reasons for this contradiction may be due to some differences in country context or environment in addition to the differences in data analysis techniques. In addition, Mike Wright et al. (2007) argue that there are many indicators that could give the reasons affecting the relationship between internationalisation and performance, especially for smaller firms. These indicators are such as ' the need to consider geographic and industry context, timing issues, firm-specific strategic issues, and selection bias issues within econometric models' (Mike Wright et al., 2007: 1023).

At the end of this point, it is found that DOI plays a very important role in the SMEs’ performance in the wood and furniture industry in Damietta (El-Kilany, 2014, El-Meehy, 2002). The following section will discuss the findings related to firm entry mode.

7.5 Findings related to the entry mode

Firm international entry strategy is considered to be a critically strategic decision for a firm of any size, it will have a vital effect on firm performance and level of success on the international market (Brouthers and Nakos, 2004, Jane Lu, 2002, Zekiri and Angelova, 2011). There are some entry mode alternatives that firms can choose to access international markets such as direct and indirect exporting, joint ventures, franchising, licensing, and direct investment (El-Gohary et al., 2013, Zekiri and Angelova, 2011). The entry mode choices depend on many factors such as firm size (Chung and Enderwick, 2001, Nakos and Brouthers, 2002), type of product, (Erramilli and Rao, 1993) firm resources (Koch, 2001, Yao Lu et al., 2011), risk attitude (Koch, 2001), and international experience (Czinkota, 1994, Evans, 2002, Yao Lu et al., 2011).

Regarding this study's results, it is found that international exhibitions, directly exporting, and indirectly exporting are considered as the three most popular entry modes used by SMEs operating in the wood and furniture industry in Damietta, Egypt. However, it is significant to say that international exhibitions are considered to be the most favourable entry strategy by these firms with about 79% from the study sample. Although the vast importance of international exhibitions as an entry mode for most of the Egyptian furniture firms cannot be quantified, as confirmed in the focus group outcomes in point 5.6.4, few studies discuss the role

of international exhibitions in the international business process, especially in wood and furniture industry (El-Kilany, 2014).

Furthermore, It has been indicated that international exhibitions, sometimes called ‘international fairs’ are considered as a more relevant and reliable way to access the international markets with some advantages around risk and cost reduction (El-Kilany, 2014, El-Meehy, 2002). More important than the idea of participating in international exhibitions to access international markets are working with the ideas of the main theory of this study, Being guided by the Uppsala Model, because most firms in this industry are following the step-by-step process to access international markets, by reducing internationalisation threats through acquiring more knowledge and information from less risky internationalisation entry modes (Dawei, 2008, Johanson and Vahlne, 2009, Lynn Childs and Jin, 2014, Vahlne and Johanson, 2013).

In addition, so many opportunities are created through participating in these exhibitions on the international market that 'firms admitted the importance of participation in international fairs as an important tool for penetrating new markets and a source of innovation and information about the latest trends in the furniture sector all over the world' (El-Kilany, 2014: 95). Practically, these international exhibitions run all over the world and the participant firms of wood and furniture industries are worldwide. To emphasize this point further, one Egyptian organisation

that provides services to the wood and furniture industry in Egypt is the 'Egyptian Furniture Export Council' (EFEC, 2015). This organisation has mentioned in their official reports on their website details of some international exhibition where they provide some facilities for mainly furniture producers to join and participate. As mentioned earlier, these exhibitions run worldwide such as 'Mebel Moscow exhibition' in Russia in 2009, or 'Equip hotel international fair' held in Paris in 2006, and some other events such as 'Salone Internazionale del Mobile exhibition' in Milan, Italy in April 2015 or Index exhibition in Dubai, UAE in May 2015. These were just some examples from one organisation while international furniture exhibitions that are worldwide and should attract more academic and practical interest.

Ultimately international furniture exhibitions are considered to be the most important entry mode for the wood and furniture industry SMEs in Damietta, Egypt. In addition, it is considered a very suitable way for SMEs to gradually access international business.

7.6 Chapter conclusion

This chapter interprets the research findings around DOI, firm performance, the relationship between them, and entry strategies. The next chapter will conclude this thesis by highlighting the main research contribution, discussing the research limitations, and suggesting avenues for future research.

CHAPTER 8: CONCLUSION

8.1 Introduction

The previous chapter discussed the main research outcomes. This chapter will present a conclusion by highlighting main contributions of this research. The research limitations will be discussed and directions for future research will be suggested.

8.2 Overall research conclusion

The main objective of this research is to empirically investigate the relationship between internationalisation, which is directed by IEO, RBV, and NT, and SMEs' performance in the Damietta Governorate in Egypt, as an emerging economy, in the wood and furniture industry.

Generally, SMEs hold much importance as contributors towards the creation of many job opportunities, improving economic growth, creating international opportunities, enhancing entrepreneurship, making better use of limited resources, and making better use of networks (Berisha and Shiroka, 2015, Mahmood and Hanafi, 2013a, Welsh and White, 1981). In addition, SMEs in the current study are considered as a basic level support, especially when dealing with traditional industries like the wood and furniture industry (Isaga et al., 2015, Shaharudin et al., 2012). SMEs' definition in Egypt needed clarifying because there was only one, single official

definition for small business under Egyptian law of '(141) in 2004, Article (1)' (SFD, 2004). Therefore, this study established a means to identify a new definition combining small and medium size firms together. Thus, the current study found that the wood and furniture industry in Egypt is mainly considered as a traditional industry, consisting of mainly small or medium size firms, and with intensive labour orientation. Indeed, the Egyptian wood and furniture industry has a long history, built on the strength of Egyptian craftsmanship. In addition, the Damietta governorate in Egypt has a very solid economic role among Egyptian governorates, especially in the wood and furniture industry. The current study focuses on the theories of international entrepreneurship, RBV, and the network theory was the main focus of this study under the umbrella of the Uppsala model of internationalisation (please see Chapters Two and Three).

The current study depended on two main phases of the research approach. Phase one was the qualitative method of using a focus group, whilst the second phase was a quantitative research method of using a questionnaire technique. The focus group is considered as a very important technique in the social sciences as it has the ability to generate data based on the collaboration of group interaction (Richardson and Rabiee, 2001). The participants in the focus group were selected to participate based on their knowledge of the study area. Therefore, nine participants were recruited to this focus group. This focus group contained: three academics from the Business School in Cairo University with experience of SMEs in Egypt; four entrepreneurs

from the wood and furniture industry in Damietta; and two marketing and export consultants. The focus group outcomes have confirmed some important findings such as the emphasis on the important role of Damietta itself both historically and economically when compared with other Egyptian governorates. The focus group confirmed the role of the skilled and talented labour of many industries, especially those working in the manufacture of furniture. The wood and furniture industry in Damietta is considered as one of the vital industries in Egypt and is still a very promising industry. In addition, the focus group members generally agreed that most of the furniture firms in Damietta are mostly following the stage model of internationalisation, as they gradually access international markets after acquiring more knowledge and experience from operating in local markets.

The second phase of this study was the quantitative research that relied on the questionnaire technique. Indeed, the questionnaire technique is considered as one of the most efficient highly structured data collection tools in the social sciences (Cavana et al., 2001, Veal, 2005). In addition, it considered as one of the quickest and cheapest tools for collecting data. Moreover, a questionnaire has the ability to investigate a large number of participants or cases (Bryman and Bell, 2011). In the current study, data was collected from surveying 131 firms. These firms are characterised as of small or medium size, based on the study definition (as discussed in Chapter Two). In addition, these SMEs should work in the area of wood and/or the furniture industry in

the Damietta Governorate. Moreover, they should be engaged in international business activities, such as direct exporting, indirect exporting and international exhibitions.

In the research analysis section in Chapter Six, a descriptive research analysis is provided, which gives an overall picture of the data explaining the firms and data describing the individual participants in this study. Therefore, some descriptive statistical tools, such as frequency analysis, with descriptive tables and figures, and cross-tabulations were used to describe the distribution of the research sample and to concentrate on important data relationships, such as the data related to the definition of an SME. Secondly, the main research analysis of this study was path analysis, which was used by SEM with Amos software.

The research results provide empirical evidence that SMEs' international, entrepreneurial orientation and experience, human capital, social, governmental, and international networks are positively and directly facilitating their degree of internationalisation. In addition, it found that international entrepreneurial experience, human capital, and international networks indirectly enhance firm performance. Indeed, it is found that there is a directly significant relationship between the degree of internationalisation and performance. All the research results and findings are discussed in Chapters Six and Seven.

The main research contribution of this study is considered as the first research to study the relationship between internationalisation and firm performance in one of the traditional industries, such as the wood and furniture industry, in addition to it focussing on the unique culture of an emerging economy, such as that of Damietta in Egypt. Moreover, this study proves that the traditional stage model of internationalisation is still alive and applicable in these types of industries and in these types of country. Further research contributions and limitations for future research are discussed in this chapter.

8.3 Research contribution

This section states the research contribution of the current thesis. Some important contributions will be discussed such as terminological contribution, integrated theories contribution, contextual contribution, and methodological contribution.

8.3.1 Theoretical contribution

To this author's knowledge, the major contribution of this thesis is presenting significant insights on how context types of firm (i.e. SMEs), types of culture (i.e. Damietta and Egypt), and types of industry (i.e. wood and furniture industry), influence the extent of the relationship between internationalization and firm performance. Therefore, the main goal of this study is to add to the existing body of knowledge focused on interpreting the relationship between internationalisation and performance among SMEs in the industry of wood and furniture. The

choice of the theoretical framework for this study was based on the expressed need to closely connect frequently studied concepts (Bonaccorsi, 1992, Devine, 2010, Ruigrok and Wagner, 2004). Therefore, the following points will indicate the major theoretical contribution of this study.

8.3.1.1 Integrated theories contribution

The current thesis addresses a major gap in the literature by extending the empirical knowledge of the relationship between SMEs' internationalisation and performance in emerging economies, by adding to the relatively limited empirical studies, that have been conducted by combining integrated theories (Wach, 2015, Wach and Wehrman, 2014). Therefore, the major theoretical contribution of this thesis is its empirical findings that provide evidence to show that the integrated theories of entrepreneurship, firm resources, and firm networks are contributors to SMEs' internationalisation and performance in one of the traditional industries, that being of wood and furniture, and in an emerging economy, as in Damietta, Egypt (Oviatt and McDougall, 2005, Vahlne and Johanson, 2017, Wach, 2015, Zahra and George, 2002).

As discussed in the literature review in Chapter Three and the focus group commentary in Chapter Five, it is found that the Uppsala internationalisation model is considered as the main internationalisation theory for this study. Notably, the industry of wood and furniture in Damietta is currently mostly accessing international markets by taking gradual steps and

building accumulative experience and knowledge in the local markets rather than in the international markets (El-Kilany, 2014, El-Meehy, 2002). Therefore, this thesis proves that the traditional internationalisation model of Uppsala is still alive nowadays and continues to be very valuable in industries like the wood and furniture industries and in emerging economies like Egypt (Blomstermo and Sharma, 2003, Figueira-de-Lemos et al., 2011, Lommelen, 2004, Vahlne and Johanson, 2017b). One of the most major contributions to this thesis is to see the theories of international entrepreneurship, RBV, and networks from the perspectives and beliefs of the Uppsala model of internationalisation. In other words, the Uppsala model of internationalisation is one of the traditional stage theories of internationalisation that demonstrates that firm internationalisation is considered as an incremental process, which in turn has a critical relationship with the other study theories (Forsgren, 2002, Johanson and Vahlne, 2009, Vahlne and Johanson, 2017b).

As mentioned in the critical study of Wach and Wehrman in 2014, modern internationalisation theory should be seen as a series of holistic interpreted models from many different theories (Wach and Wehrman, 2014). Furthermore, a similar perspective has been argued by Lommelen in his research of learning perspective on firm internationalisation in 2004 (Lommelen, 2004). He mentioned that ‘Recent studies that include the Uppsala model as part of the theoretical foundation rarely refer to these two clarifications. However, we believe that important opportunities are missed in the sense that studies based on the Uppsala model would have been

richer if the network, resource-based and organizational learning concepts had been explicitly incorporated' (2004: 121). Consequently, from this perspective, our study is looking to firm internationalisation from the Uppsala point of view and its relationship to three related theories, international entrepreneurship, RBV, and firm networks. Therefore, this study looks at the relationship between the Uppsala model and international entrepreneurship as accumulative entrepreneurship knowledge through innovation, pro-activity and risk-taking processes acquired by a firm's entrepreneur, the firm owner, or the person who is responsible for international business in the firm. In addition, this study looks at the relationship between the Uppsala model and firm resources as their accumulative knowledge and the experience process acquired by a firm's employees or its entrepreneur. Furthermore, this study looks at the relationship between the Uppsala model and firm networks as accumulative knowledge and its experience process acquired from its environmental network relationships through commitment and trust. Moreover, the theoretical contribution related to the relationship between the Uppsala model of internationalisation and the three theories will be briefly discussed in the following point.

One of the important theoretical contributions of this study is the critical relationship between the Uppsala model and IEO. As the Uppsala model of internationalisation is following the idea of acquiring more knowledge locally first to be able to access international markets (Forsgren, 2002, Vahlne and Johanson, 2017b). It is found that most wood and furniture industries in Egypt

follow the same logic and sequences of the Uppsala model of internationalisation as discussed in the previous literature and as discussed in the focus group section in Chapter Five (EFEC, 2015, El-Kilany, 2014, El-Meehy, 2002).

The link between the logic of the Uppsala model of internationalisation and the theory of IEO is applied in this study. Critically looking at IEO dimensions, it is found that the three dimensions of innovation, proactivity, and risk-taking are critically related to the Uppsala model. Consequently, there are some similarities between the gradual process of accessing international markets and the three dimensions of EO. Therefore, most SMEs in the wood and furniture industry in our study are gradually entering international markets by acquiring more time and experience in local markets, thus allowing them to increase their ability to 'innovate' (as one dimension of EO). As a result of this step, the entrepreneurs will have more ability to adapt more in the international market environment and have the ability to acquire more international market opportunities (as a proactive dimension of EO). Finally, as the final step, entrepreneurs in this study acquire more experience thus affording more risk to enter onto the international markets (as a risk-taking dimension of EO).

The same logic of the Uppsala model can be applied to RBV. The main logic here is getting accumulative knowledge and experience from the firm's strategic resources to enable it to access international markets (Vahlne and Johanson, 2013, 2017a, Yamin and Kurt, 2018). This

study concentrated on two of the most relevant strategic resources for the furniture industry in Egypt, which are human capital and entrepreneurial experience (Abdallah et al., 2016, EFEC, 2015). It is clear that these two resources are depend on 'people' whether they are labourers, employees, owners, or entrepreneurs (Javalgi and Todd, 2011). It is obvious that the more knowledge and experience they acquire, the more internationalisation skills will be gained (Cerrato and Piva, 2012). In general, human capital and entrepreneurial experience in this study are considered to be essential sources of information and knowledge needed in the industry of wood and furniture in Egypt to improve firm performance and international activities (Cerrato and Piva, 2012, El-Meehy, 2002, Javalgi and Todd, 2011).

The same logic of the Uppsala model can be applied to the firm network. In general, this study is mainly depending on the revised model of Uppsala, which is considered as a firm's network and is a crucial additional part of the original Uppsala model of internationalisation (Johanson and Vahlne, 2009, Vahlne and Johanson, 2017a, Yamin and Kurt, 2018). With an in-depth view of the three main networks in this study, it found that wood and furniture firms in Egypt, especially in Damietta, follow the same sequence of the incremental Uppsala model (El-Gohary et al., 2013, El-Kilany, 2014, El-Meehy, 2002). In other words, the firms in this industry depend on their social networks as a first step to collecting essential market knowledge as this is an important, informal source of information. After enough experience is gained, they can then acquire more knowledge from formal networks and the most important networks, in less

developed countries, are the governmental networks. In time, the firm becomes expert enough and has some international activities, therefore, it is now capable of having massive, international connections and networks (Forsgren, 2016, Johanson and Vahlne, 2009, Vahlne and Johanson, 2013, 2017a, Yamin and Kurt, 2018).

In general, all three theories of international entrepreneurship, RBV, and networks are linked somehow to the original and the revised Uppsala model of internationalisation. Finally, the integration between these three theories and the Uppsala model of internationalisation is considered a very important contribution to international business studies (Lommelen, 2004, Vahlne and Johanson, 2017b, Wach, 2014, Wach and Wehrman, 2014).

8.3.1.2 Contextual contribution

The current study focuses on the wood and furniture industry as a traditional industry in Egypt as an emerging economy. The main contextual contributions of this study are to focus on the country, the industry, and the entry strategy to other markets. Surprisingly, apart from the important value of the wood and furniture industry in Egypt, it is found that there is still a little academic work to be performed in this area from the internationalisation and performance points of view, but not from the engineering and manufacturing points of view (Abdallah et al., 2016, El-Kilany, 2014, Oyson, 2014, Shi et al., 2018). Some of this research, which interested in the wood and furniture industry in Egypt, such as that of Abdallah et al. (2016) discusses the

furniture industry from the aspect of economic diversification in Egypt. In addition, Al-Etr and Wahba (2002) introduced a conference paper regarding the relationship between the emerging Egyptian furniture industry and its export capabilities. Some studies mentioned the Damietta governorate as one of the most important industrial districts, not only in Egypt, but also in the Middle East such as El-Kilany (2014) and El-Meehy (2002). Moreover, some important discussion reports about this industry, in this specific region, were mentioned by some non-academic institutions such as ITC and ITTO (2005), CSIL (2009), (AAC, 2003), and IMC (2010). However, there is still a lack of literature investigating this industry in Egypt. The current study contributes to this field by introducing systematic research of the relationship between internationalisation and the performance of SMEs in the wood and furniture industry in Damietta, Egypt.

Additionally, a large number of studies focussing on internationalisation and performance of SMEs have been conducted in developed nations, particularly using samples drawn from the US, Australia and Europe such as Coviello and Munro (1995), Holmlund and Kock (1998), and McDougall and Oviatt (2005). There is little congruence and overlap in theory building that would account for the potential differences in internationalisation of SMEs across countries. In addition, Cavusgil et al. (2005) highlight that more research is needed, in the area of internationalisation, into the better understanding of the unique workings of emerging economies. Therefore, it is important to develop research in internationalisation and

performance not only in developed countries but also in less developed or emerging countries (Isaga, 2012, Kusumawardhani, 2013b).

The wood and furniture industry within the scale of SMEs, especially in less developed countries, is still mainly dependent on a combination of skilled labourers and technologies for a percentage of around (60% to 40%) respectively (CSIL, 2009, Isaga et al., 2015, ITC and ITTO, 2005, Kolodko, 2018). However, in some cases, the percentage of skilled labour may rise to 90%. Indeed, the wood and furniture industry in Damietta, Egypt, is still considered as a traditional industry because it depends more on the skilled and advanced trained labour rather than technological machines (EFEC, 2015, El-Kilany, 2014, El-Meehy, 2002). By looking back to the literature section, a large number of studies concentrate on industries with a heavy use of technology rather than the traditional industries that mainly depend on skilled human resources (IMC, 2010, Isaga, 2012, ITC and ITTO, 2005). Thereby, there is a shortage of literature limiting the ability to generalise using samples of less technology or traditional industries (Zahra and George, 2002). Therefore, there is a crucial need for diversity into internationalisation studies with different types of industries.

Furthermore, this thesis makes a significant contribution to the existing knowledge for choosing entry strategies by SMEs in various industries. In this area of study, SMEs in previous literature mainly prefer direct exports, indirect exports, and FDI (Isaga, 2012, Isaga et al., 2015, ITC and

ITTO, 2005, Sidin, 2008). However, most SMEs, from the wood and furniture industry within this study, prefer international exhibitions as a single or a combined research strategy to access international markets (EFEC, 2015, El-Gohary et al., 2013, El-Kilany, 2014, Zekiri and Angelova, 2011). International furniture exhibitions give SMEs more flexibility, more time, reduce costs and offer gradual to access international markets when following the Uppsala model (EFEC, 2015, El-Kilany, 2014, Hilmersson and Jansson, 2012, Yao Lu et al., 2011).

However, there is a lack of research investigating the impact of internationalisation and performance of the wood and furniture industry in one of the important industrial districts like Damietta in Egypt (CSIL, 2018, El-Meehy, 2002, IMC, 2010, Isaga et al., 2015, Ng and Kanagasundaram, 2017). The current study contributes by offering further systematic research evidence of the relationship between internationalisation and performance in this unique industry in one of the world's emerging economies.

8.3.1.3 Terminological Contribution

SMEs definition is considered as one of the most important contributions of this study. In general, there is no single definition for SMEs (Chittithaworn et al., 2011, Jansson and Sandberg, 2008). However, there are some criteria to describe SMEs, such as the number of employees, total assets, total annual turnover, or capital. Some countries and institutes depend on one single criterion, or some combined criteria, to define SMEs or they may have more

specific terms that describe SMEs in each particular industry, because it is believed that each industry operates differently, as mentioned in Chapter Two point 2.4 (Abor and Quartey, 2010, Berisha and Shiroka, 2015, CAPMAS, 2013, Kushnir, 2010b, Qehaja et al., 2017). With regard to the definition of SMEs in Egypt, it is found that there is no official definition for the term of 'SMEs' in Egypt (Abdallah et al., 2016, El-Saady, 2011). However, the only official definition in Egypt is for small enterprises only, which is mentioned in the Egyptian law 'number (141) in 2004, Article (1)' as:

> *'Any company or individual firm that conduct production, service or commercial economic activities with a capital no less than 50,000 Egyptian pounds and no more than one million Egyptian pounds and employs 50 employees or less' (SFD, 2004: 2).*

The new definition of SMEs of this study was adapted and was mainly dependent on the direction and the criteria of the official definition of small business in Egypt (by law number (141) in 2004). In addition, this new definition also depended on the interpretation of some of the official organisations in Egypt, such as the Ministry of Industry, the Ministry of Planning and International Co-operation, the Industrial Development and Workers Bank of Egypt, and The Central Agency for Public Mobilisation and Statistics (CAPMAS). It is found that the last organisation, (CAPMAS), is much related to the Egyptian Law 'N 141 in 2004'. Furthermore, this definition adds to the knowledge of defining SMEs' studies by giving more detail about

medium size businesses and their relationship to Egyptian industry, which is more relevant to our study of SMEs in the furniture industry in Egypt (CAPMAS, 2013).

Therefore, the new definition of SMEs, which is suitable to the industry of wood and furniture as mentioned in Chapter Two, is:

> *Any company or individual firm that conduct production, service or commercial economic activities with a capital no less than 50,000 Egyptian pounds and no more than 1000,000 Egyptian pounds and employs 50 employees or less is considered small enterprise while with a capital more than 1000,000 Egyptian pounds and no more than one million Egyptian pounds and employs from 51 employees to less than 100 employees is considered medium enterprise.*

As there is no SME definition in Egypt with only an official definition of small business, this study contributes to the knowledge of an SME definition by creating a customised SME definition by taking into consideration the industry and the regional determinants.

8.3.2 Methodological contribution

This research provides a methodological contribution to the field of internationalisation and performance of SMEs by using an integration of both qualitative and quantitative methods. Therefore, based on the review of the literature, there are very few studies within this context

employing a triangulation approach to investigate internationalisation and performance by SMEs, especially in emerging countries. It is found, from the articles discussed in the literature review chapter, that around 55%, of the researchers who had written those articles, were following the quantitative technique (Arteaga-Ortiz and Fernández-Ortiz, 2010, Esra and Göçer, 2007, Malo and Norus, 2009, McAuley, 2010). Whilst around 40% of the researchers, responsible for other articles, used the qualitative technique, by mainly using case studies and interviews (Chandra et al., 2009, Ferro et al., 2009, Hutchinson et al., 2006). However, just 5% followed a triangulation, or mixed method, by using a combination of a qualitative and a quantitative method (Abdul-Aziz and Wong, 2011, Jansson and Sandberg, 2008, Singh et al., 2010). Therefore, this study contributes to international business studies by combining a focus group strategy as a qualitative research, in addition to a quantitative research survey.

To the best of author's knowledge, this is the first study that uses the structural equation modelling technique to gain a direct effect of the combination between IEO, EIE, HC, SN, GN, and IN with DOI. In addition, this is the first study that uses the structural equation modelling technique to achieve the indirect effect between IEO, EIE, HC, SN, GN, and IN with firm performance. Therefore, there are only a few studies that have discussed the furniture industry in Damietta, Egypt, such as El-Kilany (2014), El-Meehy (2002), Lord (1999), IMC (2010), Al-Etr and Wahba (2002), and Abdallah et al. (2016). However, none of these studies have used our study techniques or methodology. Therefore, the current study adds a methodological

contribution to the area of internationalisation and performance of SMEs in emerging economies.

Finally, the current study presents a combination of theoretical, contextual and methodological implications for internationalisation and firm performance studies. The following sections will discuss possible research implications for this study.

8.4 Implications for practitioners and policy-makers

The findings and contribution of this study will be translated into some valuable implications for practitioners and policy-makers as will be discussed in the following points.

The first research implication is related to increasing internationalisation awareness of SMEs' owner-managers, especially in the traditional industries, such as the wood and furniture industry in Egypt. These types of industries are mainly considered as family businesses, owned and probably managed by the same person who mostly belong to the older family generation. The main interest of these people is the local markets and few of them think about taking risk into internationalisation. Therefore, this study is considered a very good start for SMEs owner-managers to increase their awareness of the internationalisation of the industry of wood and furniture.

The second research implication is related to the role of international entrepreneur orientation in the industry of wood and furniture SMEs. This study is interested in raising the awareness of the importance of international entrepreneurship for micro and macro-economics. Therefore, entrepreneurship culture should be spread efficiently among industrial and non-industrial people by performing some effective entrepreneurship training courses for the existing SMEs owner-managers. In addition, it is important to provide entrepreneurship education for students in universities and at college level.

Though all the SMEs in this study sample have some entrepreneurial activities, the market share of the international wood and furniture production from Egypt is still very low when compared with the long history of this industry in Egypt. Therefore, international entrepreneur orientation with its three main dimensions of innovativeness, pro-activity, and risk-taking still require more improvement in order to access international business in an efficient way.

The third research implication is related to SMEs human capital. The study findings confirm that human capital has a positive impact and plays an important role in DOI by Damietta SMEs' furniture industry. In addition, as mentioned earlier, this industry in Egypt is categorized as a traditional industry, which is mainly dependent on skilled, talented, and trained human capital. Therefore, policy-makers should consider human capital in this industry as one of the most

strategic resources for Damietta SMEs. This strategic resource needs to be maintained and developed continuously to sustain and improve SMEs' internationalization

The fourth research implication is related to firm networking. Indeed, network relations are very crucial for internationalisation and the performance of wood and furniture SMEs in Damietta. Policy-makers should support and improve SMEs' network relations because they are considered to be very important sources of information and knowledge for these firms (Musteen et al., 2010). In addition, network relationships help speed up the degree of internationalisation and improve firm performance (Mattsson, 1985). Therefore, to obtain the great benefits of networking, the network members should continuously increase and develop mutual trust, sharing knowledge and commitment between the network members (Johanson and Mattsson, 1987, Mattsson and Johanson, 1993). In addition, the government is considered as a major player in the Egyptian economy. Therefore, government agencies should pay more attention to wood and furniture SMEs in Damietta by providing them with more financial and marketing facilities such as reducing taxes or supporting smaller SMEs to enter into internationalisation.

The sixth research implication is related to the Uppsala model of internationalisation. Indeed, the Uppsala model of internationalisation is considered one of the classical internationalisation theories, which depend on the principle of accessing international markets in a gradual way.

This is dependent on selling the firm's products in the local market first and after acquiring the required skills, experiences and knowledge they access international markets step-by-step. As a result, an important implication for applying the Uppsala model of internationalisation in Damietta is how to apply this study framework for wider research. Therefore, the government and the policy-maker should generate ideas from the results of this study in two ways, the first is to encourage and support non-internationalised firms in Damietta to accelerate the process and the stages of accessing international markets by giving them the required financial, technological, and marketing support in both the local and subsequently international markets. The second one is to generate ideas from the results of this study with all other governorates of Egypt that have a vested interest in the wood and furniture industry, such as ‘Cairo, Daqahlya, Alexandria, and Giza' (Abdallah et al., 2016: 42, ITC and ITTO, 2005).

The final research implication is related to a generalisation of the findings. Firstly, the findings may be difficult to be directly applied in general because every country has its own culture, economy, politics and regulations (Kusumawardhani, 2013b, Teddlie and Tashakkori, 2009). However, this study could share some of its insight with SMEs in some similar countries such as Tunisia, Algeria, Morocco, Libya, etc. The reason for this suggestion is that these countries are considered as Arabic counties and they are all in the same region. In addition, they have some common factors with Egypt such as the same language, some closeness of culture, and a

close political and economic situation. Therefore, this study could be valuable to these countries.

8.5 Limitations and avenues for future research

This part will discuss the main research limitations and suggest avenues for future research. As discussed before in Chapter Five, the current study has followed the survey research method, which is considered as a cross-sectional study. The data in this technique is collected from more than one case but at a single specific point in time (Bryman and Bell, 2007, 2011). This technique has some advantages, such as it is very important to save research time and reduce total research costs. However, the current study suffers from the common limitations of survey research and the statistical model of the SEM technique. As the cross-sectional study can infer the causal relationships between variables, these relationships cannot be accurately proven. To address the limitation, a longitudinal study by addressing temporal ordering is needed to confirm the causality between the research variables (Bateman and Strasser, 1984). Sequentially, it would be necessary to use a longitudinal research design to prove the causal relationships between the study variables of IEO, resources factors, network factors on one hand and internationalisation and firm performance on the other hand.

The current study has depended on the SMEs as the sample. Apart from the major important role of SMEs in the furniture industry in Egypt, it is also important to understand the research

subject's relationship with both micro businesses and large businesses to gain the whole picture and the variable impact of internationalisation and firm performance. These factors provide a good starting point for further studies.

The current study focuses on the wood and furniture industry. It is worthwhile to look at different type of industries. As mentioned in Chapter Two, point 2.5.1 Figure 2.3, that the wood products and furniture industry are considered as one of the five most important manufacturing sectors for SMEs in Egypt. It will be valuable to investigate the relationship between internationalisation and firm performance in future research in the other manufacturing sectors in Egypt, e.g. the food and beverages industry, the textiles industry, and the metal products industry.

The current study found that international exhibitions as an entry strategy are the most common entry mode of Egyptian furniture SMEs. These results were from Table 5.10 of the summary of the international entry mode of furniture SMEs' frequency results, which indicates not only the vast importance of international exhibitions as a vital entry strategy for Egyptian furniture firms, but also confirms the significant relationship between this industry in this region with the Uppsala model of internationalisation. It was found that the firms in this study prefer to access the international market in a gradual and less risky way. Therefore, international exhibitions are considered to be one of the most convenient ways to gradually access international markets.

However, it will create more value to this thesis if additional data could be acquired to further understand the relationship between international exhibitions as entry strategy on one side, and firm internationalisation and firm performance on the other. In fact, in spite of the importance of collecting additional data regarding international exhibitions, this was practically difficult because of two main reasons: the first was facing some general obstacles such as the time limits and the high cost of the research; the second obstacle was regarding the political and economic instability situation in Egypt after the revolution of 25th January 2011 ' the Arab spring uprisings' (UNIDO, 2014, 2016), therefore, it was impossible to collect any additional data. Consequently, this point represents a very good opportunity for consideration in the future research.

The current study is focusing on the Damietta governorate in Egypt as the main region of this study. The research findings may have some general implications for other regions in Egypt with whom some common factors are shared, such as skilled labourers and the economic, political, cultural, and infrastructure environment. The regions that are most suitable for this research are those such as 'Cairo, Daqahlya, Alexandria, and Giza' as mentioned in Figure 2.8 of the geographical distribution of the furniture industry in Egypt. However, it would be better to do more research to compare these regions in Egypt with the results achieved in Damietta. In addition, future research could be that of performing a comparative analysis to the regional

research results of the wood and furniture industry between emerging countries such as Egypt, China, Poland, Brazil, and Vietnam (as mentioned in Figure 2.1 of world furniture production).

8.6 Chapter conclusion

This is the final chapter of the thesis. This chapter began with an overall summary of the research progress as well as the key findings. It highlighted important contributions from this research. The theoretical and managerial implications were then discussed, followed by the main research limitations and potential ways for future research.

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Questionnaire

Part 1: Background data about the Enterprise:-

Please, put (√) on your suitable answer:

N	Statement	Options				
1	Your job title	□ SME Owner	□ Firm Manager	□ The person who is in charge of international activities		□ Other ……
2	Approximately, how many employees work within your entire firm?	□ 1 - 9	□ 10 - 50	□ 51 - less than 100	□ more than 100	
3	The capital of our enterprise is approximately,:	□ >50000	□ 50000 – less than 1000000	□ 1000000 – less than 10000000	□ more than 10000000	
4	The annual sales of our firm is approximately	□ >50000	□ 50000 – 500000	□ 500000 – less than 1000000	□ 1000000 – less than 5000000	□ more than 5000000
5	Our enterprise is in business for	□ > 5 years	□ 6 – 10 years	□ 11 – 20 years	□ more than 20 years	

Part 2: Entrepreneurship Factors:

N	Statement	Strongly disagree	Disagree	Neutral	Agree	strongly agree
1	Our firm put on strong emphasis on innovation in the international market.	1	2	3	4	5
2	For the last 3 years our firm has produced many new wood and furniture products internationally.	1	2	3	4	5
3	The changes in new product in our firm are quite dramatic.	1	2	3	4	5
4	Our firm normally engages aggressive actions over the competitors in the international market.	1	2	3	4	5
5	In general, our firm adopts a very competitive posture to beat the competitors.	1	2	3	4	5
6	In general, our firm has a strong emphasis on high risk projects with uncertain returns in the international market.	1	2	3	4	5
7	In case of insecure decision-making situations, our firm adopts aggressive position to increase the chance of exploiting international potential	1	2	3	4	5

	opportunities.					
8	Believe that owing to the nature of the environment, bold, wide-ranging acts are necessary to achieve my international firm's objectives	**1**	**2**	**3**	**4**	**5**
9	The more entrepreneur international experience have the more international activates will be.	**1**	**2**	**3**	**4**	**5**
10	Wood industry is required considerable experience to conduct International activities.	**1**	**2**	**3**	**4**	**5**
11	Our International decisions are depending a lot on our international experience.	**1**	**2**	**3**	**4**	**5**
12	We will conduct Internationalization activities when we become enough international experience	**1**	**2**	**3**	**4**	**5**
13	We have good, qualified and skilled international staff in our enterprise.	**1**	**2**	**3**	**4**	**5**
14	It is possible to get the required Human resources needed to for conducting international activities.	**1**	**2**	**3**	**4**	**5**
15	Our staff are receiving extensive formal skills training in areas that are important to our business.	**1**	**2**	**3**	**4**	**5**
16	Our staff are motivated to supports internationalization activities	**1**	**2**	**3**	**4**	**5**

Part 3: Network Factors:

17	We conduct international activities depending on the knowledge from our personal and social network.	**1**	**2**	**3**	**4**	**5**
18	We believed that information and knowledge provided to us from Social Network is very important in international activities.	**1**	**2**	**3**	**4**	**5**
19	We trusted the internationalization knowledge of our Social Network partners.	**1**	**2**	**3**	**4**	**5**
20	We were very committed to our Social Network to conduct internationalisation activities.	**1**	**2**	**3**	**4**	**5**
21	We were quite willing to make long-term investment in our relationship with Social Network partner to improve our internationalisation activities.	**1**	**2**	**3**	**4**	**5**
22	We conduct international activities depending on the knowledge from Governmental Network.	**1**	**2**	**3**	**4**	**5**
23	We believed that information and knowledge provided to us from Governmental Network is very important in international activities.	**1**	**2**	**3**	**4**	**5**
24	We trusted the internationalization knowledge of Governmental Network partners.	**1**	**2**	**3**	**4**	**5**
25	We were very committed to Governmental Network to conduct internationalisation activities.	**1**	**2**	**3**	**4**	**5**
26	We were quite willing to make long-term investment in our relationship with Governmental Network partner to improve our internationalisation activities.	**1**	**2**	**3**	**4**	**5**
27	We conduct international activities depending on the knowledge from	**1**	**2**	**3**	**4**	**5**

	International Network.					
28	We believed that information and knowledge provided to us from International Network is very important in international activities.	1	2	3	4	5
29	We trusted the internationalization knowledge of International Network partners.	1	2	3	4	5
30	We were very committed to International Network to conduct internationalisation activities.	1	2	3	4	5
31	We were quite willing to make long-term investment in our relationship with International Network partner to improve our internationalisation activities.	1	2	3	4	5

Part 4: Degree Of Internationalisation (DOI) Factors:

1	Are you satisfied with the sales growth of your international business in the last three years?	1	2	3	4	5
2	Are you satisfied with the profitability growth of your international business in the last three years?	1	2	3	4	5
3	Are you satisfied with the firm's internationalisation development over the last three years?	1	2	3	4	5
4	Customers are satisfied in international markets over the last three years.	1	2	3	4	5
5	Customer retention in international markets	1	2	3	4	5
6	International markets represent very important part of our business.	1	2	3	4	5
7	We are planning to expand our international markets.	1	2	3	4	5

Part 5: SMEs Performance:

N	Statement	Very Low	Low	Neutral	High	Very High
1	Average Return on Investment (ROI) over the last three years.	1	2	3	4	5
2	Average Return on Sales (ROS) over the last three years.	1	2	3	4	5
3	Average Return on Assets (ROA) over the last three years.	1	2	3	4	5
4	Are you satisfied with the overall performance of your firm over the last three years?	1	2	3	4	5
5	Are you satisfied with the overall performance of your firm compared to the performance of your competitors?	1	2	3	4	5
6	Customers are satisfied with the overall performance of your firm over the last three years?	1	2	3	4	5

Part 6: Choice of Entry Mode:-

Please review the statements below and indicate the level to which you agree or disagree with each statement

In our enterprise we depend on	*0%*	*25 %*	*50 %*	*75 %*	*100 %*
Direct Export					
Indirect Export					
Licensing					
Direct Investment					
International Exhibitions					
Other ……					

Part 7: Additional information

Please, put (√) on your suitable answer:

1	Your age category	□ Under 20 yrs	□ 20-30 yrs	□ 31-40 yrs	□ 41-50 yrs	□ 51-60 yrs	□ over 60 yrs
2	Gender	□ Male			□ Female		
3	For how long have you been working in your organisation?	□ Under 5 years		□ 5-10 years		□ More than 10 years	
4	Level of Education	Lower level	□ Collage certificate	□ University graduate		□ Postgraduate studies	

If you like to receive a free copy of this executive report could you please write your required corresponds details?

……

……..

THANK YOU

الجزء الاول: بيانات عن المشروع:

من فضلك ضع علامة (√) حول الاختيار المناسب:

م	العبارة	الاختيارات				
1	ما هو مسمي وظيفتك	صاحب المشروع ☐	مدير المشروع ☐	الشخص المسئول عن النشاط الدولي للمشروع ☐	أخري .....☐	
2	**تقريبا ما هو عدد العاملين في المنشاة**	☐ 9-1	☐ 50-10	☐ 99 -51	☐ 250 -100	☐ 500 -251
3	تقريبا ما هو حجم رأس المال للمنشاة (بالجنيه المصري)	اقل من ☐ 50000	50000- لاقل من ☐ 1000000	1000000 لاقل من ☐ 3000000	3000000 لاقل من ☐ 5000000	اكثر من ☐ 5000000
4	تقريبا ما هو حجم المبيعات السنوي (بالجنيه المصري)	اقل من ☐ 50000	50000- لاقل من ☐ 500000	500000 لاقل من ☐ 1000000	1000000 لاقل من ☐ 5000000	اكثر من ☐ 5000000
5	يبلغ عمر هذا المشروع	اقل من 5 سنوات ☐	5- 10 سنوات ☐	11 – 20 سنة ☐	أكثر من 20 سنة ☐	

الجزء الثاني: العوامل الخاصة بريادة الأعمال:

من فضلك ضع دائرة حول الرقم الذي يعكس العوامل الخاصة بريادة الأعمال المؤثرة في الانشطة الدولية للمشروع

م	العبارة	غير موافق تماما	غير موافق	محايد	موافق	موافق تماما
1	الشركة لدينا وضعت تركيز قوي على الابتكار في السوق الدولي	1	2	3	4	5
2	على مدى السنوات الثلاث الماضية أنتجت شركتا العديد من الصناعات الخشبية جديدة دوليا	1	2	3	4	5
3	التغيرات العديد في منتجاتنا يعد أمر مثير للغاية	1	2	3	4	5
4	شركتنا تشارك عادة الأعمال التنافسية القوية على المنافسين في السوق الدولي	1	2	3	4	5
5	بشكل عام، لدينا شركة تعتمد على وضعية هجومية جدا للتغلب على المنافسين	1	2	3	4	5
6	بشكل عام، لدينا شركة لديها تركيز قوي على المشاريع عالية المخاطر مع عوائد غير مؤكدة في السوق الدولي	1	2	3	4	5
7	في حالة صنع القرار الغير آمنة، تتبنى الشركة موقفا هجوميا لزيادة فرصة استغلال الفرص الدولية المحتملة	1	2	3	4	5
8	نعتقد أنه نظرا لطبيعة البيئة، جريئة، وأعمال واسعة النطاق يعد ضرورية لتحقيق الاهداف الدولية الشركة	1	2	3	4	5
9	كلما زادت الخبرة الدولية لصاحب المشروع، كلما زادت الانشطة الدولية المرتبطة بالمشروع	1	2	3	4	5
10	الصناعات الخشبية تتطلب خبرة كبيرة عند اتخاذ القرارات الخاصة بالأنشطة الدولية	1	2	3	4	5
11	قراراتنا الدولية تعتمد كثيرا على خبرتنا الدول	1	2	3	4	5
12	سنجري أنشطة التدويل عندما يصبح لدينا ما يكفي من الخبرة الدولية	1	2	3	4	5
13	لدينا الموظفين الدوليين جيد، المؤهلين والمهرة في مشروعنا	1	2	3	4	5
14	فمن الممكن الحصول على الموارد البشرية المطلوبة اللازمة لإجراء الأنشطة الدولية	1	2	3	4	5
15	يحصل جميع الموظفين لدينا على تدريبا واسع النطاق للمهارات في المناطق التي تعتبر مهمة لأعمالنا	1	2	3	4	5
16	الموظفين لدينا عندهم الدافع لدعم الأنشطة الدولية	1	2	3	4	5

الجزء الثالث: العوامل الخاصة بالشبكات

17	نقوم إجراء الأنشطة الدولية اعتمادا على المعرفة من شبكتنا الشخصية والاجتماعية	1	2	3	4	5
18	نعتقد أن المعلومات والمعرفة التي قدمت لنا من الشبكة الاجتماعية مهمة جدا في الأنشطة الدولية	1	2	3	4	5

19	نثق بالمعرفة الدولية التي نحصل عليها من شبكتنا الشخصية والاجتماعية	1	2	3	4	5
20	نحن ملتزمون جدا شبكتنا الشخصية والاجتماعية عند أداء الأنشطة الدولية	1	2	3	4	5
21	كنا على استعداد تام للقيام باستثمارات طويلة الأجل في علاقتنا مع الشريك الشبكة الاجتماعية لتحسين أنشطة تدويل لدينا	1	2	3	4	5
22	.نقوم بإجراء الأنشطة الدولية اعتمادا على المعرفة من الشبكة الحكومية	1	2	3	4	5
23	نعتقد أن المعلومات والمعرفة التي قدمت لنا من الشبكة الحكومية مهمة جدا في الأنشطة الدولية	1	2	3	4	5
24	.نثق بالمعرفة الدولية التي نحصل عليها من الشبكة الحكومية	1	2	3	4	5
25	نحن ملتزمون جدا شبكتنا الحكومية عند أداء الأنشطة الدولية	1	2	3	4	5
26	كنا على استعداد تام للقيام باستثمارات طويلة الأجل في علاقتنا مع الشريك الشبكة الحكومية .لتحسين أنشطة تدويل لدينا	1	2	3	4	5
27	نحن إجراء الأنشطة الدولية اعتمادا على المعرفة من الشبكة الدولية	1	2	3	4	5
28	كنا نعتقد أن المعلومات والمعرفة التي قدمت لنا من الشبكة الدولية مهمة جدا في الأنشطة الدولية	1	2	3	4	5
29	نثق بالمعرفة الدولية التي نحصل عليها من شركاء الشبكة الدولية	1	2	3	4	5
30	نحن ملتزمون جدا للشبكة الدولية للقيام بأنشطة التدويل	1	2	3	4	5
31	كنا على استعداد تام للقيام باستثمارات طويلة الأجل في علاقتنا مع الشريك الشبكة الدولية لتحسين أنشطة تدويل لدينا	1	2	3	4	5

الجزء الرابع: درجة الدولية

م	العبارة	غير موافق تماما	غير موافق	محايد	موافق	موافق تماما
1	هل أنت راض عن نمو المبيعات الدولية من عملك خلال السنوات الثلاث الماضية؟	1	2	3	4	5
2	هل أنت راض عن نمو ربحية الأعمال التجارية الدولية الخاصة بك في السنوات الثلاث الماضية؟	1	2	3	4	5
3	هل أنت راض عن تطور تدويل للشركة على مدى السنوات الثلاث الماضية؟	1	2	3	4	5
4	العملاء راضون عنا في الأسواق الدولية على مدى السنوات الثلاث الماضية	1	2	3	4	5
5	نهتم بالمحافظة على العملاء في الأسواق الدولية	1	2	3	4	5
6	تمثل الأسواق الدولية جزء مهم جدا من أعمالنا	1	2	3	4	5
7	تمثل الأسواق الدولية جزء مهم جدا من أعمالنا	1	2	3	4	5

الجزء الخامس: التأثير على الاداء:

م	العبارة	غير موافق تماما	غير موافق	محايد	موافق	موافق تماما
1	.على مدى السنوات الثلاث الماضية (ROI) متوسط العائد على الاستثمار	1	2	3	4	5
2	على مدى السنوات الثلاث الماضية (ROS) متوسط العائد على المبيعات	1	2	3	4	5
3	على مدى السنوات الثلاث الماضية (ROA) متوسط العائد على الأصول	1	2	3	4	5
4	هل أنت راض عن الأداء العام للشركة على مدى السنوات الثلاث الماضية؟	1	2	3	4	5
5	هل أنت راض عن الأداء العام للشركة الخاصة بك مقارنة أداء منافسيك؟	1	2	3	4	5
6	العملاء راضون مع الأداء العام للشركة على مدى السنوات الثلاث الماضية؟	1	2	3	4	5

الجزء السادس: كيفية الدخول للسوق الاجنبي

1- من فضلك ضع علامة (√) علي النسبة التي تمثل لاي مدي يعتمد المشروع علي اي من الادوات الدولية التالية:

في مشروعنا نحن نعتمد علي:	النسبة المؤية				
	0%	25 %	50 %	75 %	100 %
التصدير المباشر					
التصدير غير المباشر					
الاستثمار المباشر					
المعارض الدولية					
أخري					

الجزء السابع: بيانات إضافية

من فضلك ضع علامة (√) حول الاختيار المناسب:

1	تقع فئة عمرك في فئة	اقل من 20 سنة	30-20 سنة ?	40-31 سنة ?	50-40 سنة ?	60-51 سنة ?	اكثر من 60 سنة ?
2	النوع	ذكر ?			انثي ?		
3	كم عدد السنوات التي عملت فيها في هذا المشروع	اقل من 5 سنوات ?		10-5 سنوات ?		اكثر من 10 سنوات ?	
4	المستوي التعليمي	تعليم أقل من متوسط ?		تعليم متوسط ?	تعليم جامعي ?		تعليم فوق الجامعي ?

في حالة رغبتكم في الحصول علي ملخص مجاني لنتائج هذه الدراسة، يرجي كتابة البيانات التي تمكننا من مراسلتكم :

.....

مع خالص الشكر

APPENDIX C: Second Structural Model fit and regression Weights

Model Fit Summary

CMIN

Model	NPAR	CMIN	DF	P	CMIN/DF
Default model	35	.090	1	.764	.090
Saturated model	36	.000	0		
Independence model	8	1600.634	28	.000	57.166

RMR, GFI

Model	RMR	GFI	AGFI	PGFI
Default model	.000	1.000	.994	.028
Saturated model	.000	1.000		
Independence model	.277	.164	-.075	.128

Baseline Comparisons

Model	NFI Delta1	RFI rho1	IFI Delta2	TLI rho2	CFI
Default model	1.000	.998	1.001	1.016	1.000
Saturated model	1.000		1.000		1.000
Independence model	.000	.000	.000	.000	.000

RMSEA

Model	RMSEA	LO 90	HI 90	PCLOSE
Default model	.000	.000	.157	.798
Independence model	.657	.630	.685	.000

Regression Weights: (Group number 1 - Default model)

			Estimate	S.E.	C.R.	P	Label
Y1	<---	X1	.250	.063	3.957	***	
Y1	<---	X2	.155	.071	2.200	.028	
Y1	<---	X3	.149	.073	2.042	.041	
Y1	<---	X4	.192	.066	2.936	.003	
Y1	<---	X5	.089	.041	2.148	.032	
Y1	<---	X6	.229	.066	3.486	***	
Y2	<---	Y1	.362	.069	5.240	***	
Y2	<---	X1	.107	.054	1.994	.046	
Y2	<---	X2	.104	.054	1.932	.053	
Y2	<---	X3	.115	.059	1.943	.052	
Y2	<---	X4	.075	.054	1.398	.162	
Y2	<---	X6	.123	.055	2.232	.026	

APPENDIX D: Third Structural Model fit and regression Weights

Model Fit Summary

CMIN

Model	NPAR	CMIN	DF	P	CMIN/DF
Default model	34	2.031	2	.362	1.016
Saturated model	36	.000	0		
Independence model	8	1600.634	28	.000	57.166

RMR, GFI

Model	RMR	GFI	AGFI	PGFI
Default model	.001	.996	.931	.055
Saturated model	.000	1.000		
Independence model	.277	.164	-.075	.128

Baseline Comparisons

Model	NFI Delta1	RFI rho1	IFI Delta2	TLI rho2	CFI
Default model	.999	.982	1.000	1.000	1.000
Saturated model	1.000		1.000		1.000
Independence model	.000	.000	.000	.000	.000

RMSEA

Model	RMSEA	LO 90	HI 90	PCLOSE
Default model	.011	.000	.174	.473
Independence model	.657	.630	.685	.000

Regression Weights: (Group number 1 - Default model)

			Estimate	S.E.	C.R.	P	Label
Y1	<---	X1	.250	.063	3.957	***	
Y1	<---	X2	.155	.071	2.200	.028	
Y1	<---	X3	.149	.073	2.042	.041	
Y1	<---	X4	.192	.066	2.936	.003	
Y1	<---	X5	.089	.041	2.148	.032	

			Estimate	S.E.	C.R.	P	Label
Y1	<---	X6	.229	.066	3.486	***	
Y2	<---	Y1	.390	.067	5.829	***	
Y2	<---	X1	.124	.053	2.360	.018	
Y2	<---	X2	.117	.054	2.182	.029	
Y2	<---	X3	.142	.057	2.492	.013	
Y2	<---	X6	.110	.055	2.016	.044	

Standardized Regression Weights: (Group number 1 - Default model)

			Estimate
Y1	<---	X1	.220
Y1	<---	X2	.146
Y1	<---	X3	.142
Y1	<---	X4	.181
Y1	<---	X5	.118
Y1	<---	X6	.224
Y2	<---	Y1	.460
Y2	<---	X1	.129
Y2	<---	X2	.130
Y2	<---	X3	.158
Y2	<---	X6	.127

Squared Multiple Correlations: (Group number 1 - Default model)

			Estimate
Y1			.908
Y2			.917

Standardized Total Effects (Group number 1 - Default model)

	X6	X5	X4	X3	X2	X1	Y1
Y1	.224	.118	.181	.142	.146	.220	.000
Y2	.230	.054	.083	.224	.196	.230	.460

Direct Effects (Group number 1 - Default model)

	X6	X5	X4	X3	X2	X1	Y1
Y1	.229	.089	.192	.149	.155	.250	.000
Y2	.110	.000	.000	.142	.117	.124	.390

Standardized Direct Effects (Group number 1 - Default model)

	X6	X5	X4	X3	X2	X1	Y1
Y1	.224	.118	.181	.142	.146	.220	.000
Y2	.127	.000	.000	.158	.130	.129	.460

Indirect Effects (Group number 1 - Default model)

	X6	X5	X4	X3	X2	X1	Y1
Y1	.000	.000	.000	.000	.000	.000	.000
Y2	.089	.035	.075	.058	.060	.097	.000

Standardized Indirect Effects (Group number 1 - Default model)

	X6	X5	X4	X3	X2	X1	Y1
Y1	.000	.000	.000	.000	.000	.000	.000
Y2	.103	.054	.083	.065	.067	.101	.000